

SEC Number: 152-747
File Number: _____

AYALA LAND, INC.

(Company's Full Name)

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

(Company Address)

(632) 7908-3111

(Telephone Number)

June 30, 2020

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

Cashflow Statement

(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2020**
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) 7908-3111**
9. Former name, former address, former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

As of June 30, 2020

| <u>Title of each class</u> | <u>Number of shares issued and outstanding</u> |
|----------------------------|--|
| Common shares | 14,745,334,847 |
| Preferred shares | 13,066,494,759 |

Amount of Debt Outstanding
P124,650,000,000.00

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)

| | June 2020 Unaudited | December 2019 Audited |
|---|------------------------|--------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (note 4) | P16,416 | P20,413 |
| Short-term investments (note 5) | 543 | 617 |
| Financial assets at fair value through profit or loss (note 6) | 477 | 485 |
| Accounts and notes receivable (note 7) | 115,599 | 105,039 |
| Inventories (note 8) | 118,376 | 120,288 |
| Other current assets (note 9) | 53,280 | 48,592 |
| Total Current Assets | 304,691 | 295,434 |
| Noncurrent Assets | | |
| Noncurrent accounts and notes receivable (note 7) | 38,421 | 45,564 |
| Financial assets at fair value through other comprehensive income | 1,575 | 1,529 |
| Investments in associates and joint ventures (note 10) | 24,902 | 25,318 |
| Right of use assets | 13,415 | 13,564 |
| Investment properties – net | 242,189 | 243,043 |
| Property and equipment – net | 43,253 | 43,062 |
| Deferred tax assets - net | 11,410 | 11,528 |
| Other noncurrent assets (note 11) | 31,039 | 34,880 |
| Total Noncurrent Assets | 406,204 | 418,489 |
| Total Assets | P710,895 | P713,923 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Short-term debt (note 12) | P41,455 | P18,033 |
| Accounts and other payables (note 13) | 143,319 | 162,979 |
| Income tax payable | 1,225 | 2,123 |
| Current portion of lease liabilities | 822 | 725 |
| Current portion of long-term debt (note 12) | 12,505 | 17,251 |
| Deposits and other current liabilities (note 14) | 15,177 | 25,473 |
| Total Current Liabilities | 214,503 | 226,584 |
| Noncurrent Liabilities | | |
| Long-term debt - net of current portion (note 12) | 174,041 | 175,813 |
| Pension liabilities | 2,360 | 1,988 |
| Lease liabilities – net | 16,802 | 16,739 |
| Deferred tax liabilities - net | 6,976 | 6,091 |
| Deposits and other noncurrent liabilities (note 15) | 53,208 | 44,004 |
| Total Noncurrent Liabilities | 253,387 | 244,634 |
| Total Liabilities | 467,890 | 471,218 |
| Equity | | |
| Equity attributable to equity holders of Ayala Land, Inc. | | |
| Paid-up capital | 62,823 | 62,772 |
| Retained earnings | 157,451 | 156,940 |
| Stock options outstanding | 42 | 42 |
| Remeasurement loss on defined benefit plans | (652) | (337) |
| Fair value reserve of financial assets at FVOCI | (685) | (457) |
| Cumulative translations adjustments | (476) | 250 |
| Equity reserves (note 16) | (7,103) | (7,056) |
| Treasury Stock | (1,261) | (1,104) |
| | 210,139 | 211,050 |
| Non-controlling interests | 32,866 | 31,656 |
| Total Equity | 243,005 | 242,706 |
| Total Liabilities and Equity | P710,895 | P713,923 |

See accompanying notes to consolidated financial statements

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

| | April 1 to June 30 | 2020 Unaudited January 1 to June 30 | April 1 to June 30 | 2019 Unaudited January 1 to June 30 |
|---|-----------------------|---|-----------------------|---|
| REVENUE | | | | |
| Real estate | ₱9,941 | ₱36,140 | ₱41,159 | ₱78,597 |
| Interest income from real estate sales | 2,539 | 4,228 | 1,597 | 3,306 |
| Equity in net earnings of associates and joint ventures | 74 | 346 | 303 | 566 |
| | 12,554 | 40,714 | 43,059 | 82,469 |
| Interest and Investment Income | 85 | 220 | 273 | 454 |
| Other income | 157 | 265 | 205 | 294 |
| | 242 | 485 | 478 | 748 |
| | 12,796 | 41,199 | 43,537 | 83,217 |
| COSTS AND EXPENSES | | | | |
| Real estate | 6,053 | 22,083 | 25,420 | 48,909 |
| General and administrative expenses | 1,768 | 3,865 | 2,438 | 4,429 |
| Interest and other financing charges | 3,623 | 6,857 | 2,898 | 5,503 |
| Other charges | 649 | 808 | 164 | 546 |
| | 12,093 | 33,613 | 30,920 | 59,387 |
| INCOME BEFORE INCOME TAX | 703 | 7,586 | 12,617 | 23,830 |
| PROVISION FOR INCOME TAX | | | | |
| Current | 537 | 2,015 | 3,660 | 6,608 |
| Deferred | (260) | 105 | (260) | (293) |
| | 277 | 2,120 | 3,400 | 6,315 |
| NET INCOME | ₱426 | ₱5,466 | ₱9,217 | ₱17,515 |
| Net income attributable to: | | | | |
| Equity holders of Ayala Land, Inc. | ₱197 | 4,518 | 7,834 | ₱15,157 |
| Non-controlling interests | 230 | 948 | 1,383 | 2,358 |
| | ₱426 | ₱5,466 | ₱9,217 | ₱17,515 |
| Earnings Per Share | | | | |
| Basic | ₱0.01 | ₱0.30 | ₱0.53 | ₱1.02 |
| Diluted | 0.01 | 0.30 | 0.53 | 1.02 |

See accompanying notes to consolidated financial statements

AYALA LAND, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Millions)

| | 2020 Unaudited | | 2019 Unaudited | |
|---|-----------------------|----------------------------|-----------------------|----------------------------|
| | April 1 to June 30 | January 1 to June 30 | April 1 to June 30 | January 1 to June 30 |
| NET INCOME | P426 | P5,466 | P9,217 | P17,515 |
| <i>Item that may be reclassified to profit or loss in subsequent years:</i> | | | | |
| Cumulative translation adjustment | (255) | (726) | (458) | (508) |
| <i>Items that will not be reclassified to profit or loss in subsequent years:</i> | | | | |
| Fair value reserve of financial assets at FVOCI | 20 | (228) | 25 | 150 |
| Remeasurement gain (loss) on pension liabilities | (11) | (450) | 40 | 53 |
| Income tax effect | 3 | 135 | (12) | (16) |
| | (243) | (1,269) | (405) | (321) |
| Total comprehensive income for the period | P183 | P4,197 | P8,812 | P17,194 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of Ayala Land, Inc. | P(47) | P3,249 | P7,429 | P14,836 |
| Non-controlling interests | 230 | 948 | 1,383 | 2,358 |
| | P183 | P4,197 | P8,812 | P17,194 |

See accompanying notes to consolidated financial statements

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

| | Attributable to equity holders of Ayala Land, Inc. | | | | | | | | | | | | | |
|--|--|----------------------------|--------------------------|--------------------------------|----------------------------------|---------------------------|--|---|------------------------------------|-----------------|-----------------|---------|---------------------------|--------------|
| | Capital Stock | Additional Paid-in Capital | Subscriptions Receivable | Appropriated Retained Earnings | Unappropriated Retained Earnings | Stock Options Outstanding | Remeasurement Gain (Loss) on Defined Benefit Plans | Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets | Cumulative Translation Adjustments | Equity Reserves | Treasury Shares | Total | Non-Controlling Interests | Total Equity |
| As of January 1, 2020 | 16,052 | 48,599 | (1,878) | 8,000 | 148,940 | 42 | (337) | (457) | 250 | (7,056) | (1,104) | 211,050 | 31,655 | 242,705 |
| Net income | - | - | - | - | 4,518 | - | - | - | - | - | - | 4,518 | 948 | 5,466 |
| Other comprehensive income (loss) | - | - | - | - | - | - | (315) | (228) | (726) | - | - | (1,270) | - | (1,270) |
| Total comprehensive income | 16,052 | 48,599 | (1,878) | 8,000 | 153,458 | 42 | (652) | (685) | (476) | (7,056) | (1,104) | 214,298 | 32,603 | 246,901 |
| Cost of stock options | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Collection of subscription receivable | - | - | 2 | - | - | - | - | - | - | - | - | 2 | - | 2 |
| Stock options exercised | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reacquisition of shares | - | - | - | - | - | - | - | - | - | - | (156) | (156) | - | (156) |
| Acquisition of control on previously held interest | - | - | - | - | - | - | - | - | - | (47) | - | (47) | - | (47) |
| Acquisition of non-controlling interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Increase in non-controlling interest | - | - | - | - | - | - | - | - | - | - | - | - | 263 | 263 |
| Net change in non-controlling interest | - | - | - | - | - | - | - | - | - | - | - | 49 | - | 49 |
| IFRS 2 - Adjustment on share-based payment | - | 49 | - | - | (4,007) | - | - | - | - | - | - | (4,007) | - | (4,007) |
| Cash dividends declared | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| As of June 30, 2020 | 16,052 | 48,647 | (1,876) | 8,000 | 149,452 | 42 | (652) | (685) | (476) | (7,103) | (1,261) | 210,139 | 32,866 | 243,005 |
| As of January 1, 2019 | 16,042 | 47,986 | (1,677) | 8,000 | 124,090 | 65 | (220) | (454) | 868 | (7,401) | - | 187,300 | 32,921 | 220,221 |
| Net income | - | - | - | - | 15,157 | - | - | - | - | - | - | 15,157 | 2,358 | 17,515 |
| IFRS 16 - Leases | - | - | - | - | (48) | - | - | - | - | - | - | (48) | - | (48) |
| Other comprehensive income (loss) | - | - | - | - | - | - | 36 | 150 | (508) | - | - | (322) | - | (322) |
| Total comprehensive income | 16,042 | 47,986 | (1,677) | 8,000 | 139,199 | 65 | (184) | (304) | 360 | (7,401) | - | 202,087 | 35,279 | 237,366 |
| Cost of stock options | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Collection of subscription receivable | - | - | 211 | - | - | - | - | - | - | - | - | 211 | - | 211 |
| Stock options exercised | 10 | 447 | (457) | - | - | - | - | - | - | - | - | - | - | - |
| Reacquisition of shares | - | - | - | - | - | - | - | - | - | - | (448) | (448) | - | (448) |
| Acquisition of previously held interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Acquisition of non-controlling interest | - | - | - | - | - | - | - | - | - | 197 | - | 197 | - | 197 |
| Increase in non-controlling interest | - | - | - | - | - | - | - | - | - | - | - | - | (1,407) | (1,407) |
| Net change in non-controlling interest | - | - | - | - | - | - | - | - | - | - | - | 60 | - | 60 |
| IFRS 2 - Adjustment on share-based payment | - | 60 | - | - | (3,890) | - | - | - | - | - | - | (3,890) | - | (3,890) |
| Cash dividends declared | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| As of June 30, 2019 | 16,052 | 48,493 | (1,923) | 8,000 | 135,308 | 65 | (184) | (304) | 360 | (7,204) | (448) | 198,217 | 33,872 | 232,089 |

See accompanying notes to consolidated financial statements

AYALA LAND, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Millions)

| | June 2020 Unaudited | June 2019 Unaudited |
|---|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | ₱7,586 | ₱23,830 |
| Adjustments for: | | |
| Depreciation and amortization | 4,830 | 4,135 |
| Interest and other charges - net of amount capitalized | 6,857 | 6,047 |
| Equity in net earnings of investees | (346) | (567) |
| Interest and other income | (4,448) | (3,760) |
| Provision for doubtful accounts | 130 | 2 |
| Operating income before changes in working capital | 14,609 | 29,687 |
| Decrease (increase) in: | | |
| Accounts and notes receivable – trade | (5,730) | (13,104) |
| Real estate inventories | 1,676 | 10,787 |
| Other current assets | (4,724) | 531 |
| Increase (decrease) in: | | |
| Accounts and other payables | (17,505) | (25,970) |
| Pension liabilities | 57 | 78 |
| Other current liabilities | (10,296) | 755 |
| Cash generated from (used for) operations | (21,913) | 2,764 |
| Interest received | 4,448 | 3,770 |
| Income tax paid | (4,178) | (6,158) |
| Interest paid - net of amount capitalized | (7,222) | (4,350) |
| Net cash used in operating activities | (₱28,865) | (₱3,974) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Disposals of (additions to): | | |
| Investments | (₱915) | (₱38,652) |
| Property and equipment | (3,006) | (5,513) |
| Short term investments | 42 | 1,568 |
| Financial assets at FVPL | 9 | (733) |
| Decrease (increase) in: | | |
| Noncurrent accounts and notes receivable – nontrade | 2,068 | 1,474 |
| Other assets | 4,036 | 11,162 |
| Net cash provided by (used in) investing activities | ₱2,234 | (₱30,694) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from availment of short-term / long-term loans | ₱105,436 | ₱35,462 |
| Payments of short-term / long-term loans | (88,485) | (23,371) |
| Increase (decrease) in: | | |
| Deposits and other noncurrent liabilities | 10,072 | 26,250 |
| Noncontrolling interest in consolidated subsidiaries | 264 | (1,276) |
| Proceeds from capital stock subscriptions | 51 | 271 |
| Purchase of treasury shares | (156) | (448) |
| Dividends paid to non-controlling interest | - | (131) |
| Dividends paid to equity holders of Ayala Land, Inc. | (4,291) | (3,890) |
| Net cash provided by financing activities | ₱22,891 | ₱32,867 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (₱3,740) | (₱1,801) |
| EFFECT OF CHANGES IN FOREIGN CURRENCY | (257) | (96) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 20,413 | 23,997 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | ₱16,416 | ₱22,100 |

See accompanying notes to consolidated financial statements

AYALA LAND, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Ayala Land, Inc. (the Company or Parent 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, 47.28%-owned by Mermac, Inc., 6.02%-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:

| | Jun 2020* | Dec 2019* |
|--|-----------|-----------|
| Real Estate: | | |
| Alveo Land Corporation (Alveo) | 100% | 100% |
| Serendra, Inc. | 39 | 39 |
| Solinea, Inc. (Solinea) | 65 | 65 |
| BGSouth Properties, Inc. (BGS) | 50 | 50 |
| Portico Land Corp. (Portico) | 60 | 60 |
| Serendra, Inc. | 28 | 28 |
| Amorsedia Development Corporation | 100 | 100 |
| OLC Development Corporation and Subsidiary | 100 | 100 |
| HLC Development Corporation | 100 | 100 |
| Allysonia International Ltd. | 100 | 100 |
| Avida Land Corporation (Avida) | 100 | 100 |
| Buklod Bahayan Realty and Development Corp. | 100 | 100 |
| Avida Sales Corp. and Subsidiaries | 100 | 100 |
| Amicassa Process Solutions, Inc. | 100 | 100 |
| Avencosouth Corp. (Avencosouth) | 70 | 70 |
| BGNorth Properties, Inc. (BGN) | 50 | 50 |
| Amaia Land Co. (Amaia) | 100 | 100 |
| Amaia Southern Properties, Inc. (ASPI) | 65 | 65 |
| AyalaLand Premier, Inc. | 100 | 100 |
| Ayala Land International Sales, Inc. (ALISI) | 100 | 100 |
| Ayalaland International Marketing, Inc. (AIMI) | 100 | 100 |
| Ayala Land International (Singapore) Pte. Ltd. | 100 | 100 |
| Ayalaland International Marketing (Hong Kong) Limited (ALIM HK) | 100 | 100 |
| Ayala Land International Marketing SRL (ALIM SRL) | 100 | 100 |
| Ayala Land International Marketing London | 100 | 100 |
| Ayala Land Sales, Inc. | 100 | 100 |
| Southportal Properties, Inc. | 65 | 65 |
| Buendia Landholdings, Inc. | 100 | 100 |
| Crans Montana Holdings, Inc. | 100 | 100 |
| Crimson Field Enterprises, Inc. | 100 | 100 |
| Ecoholdings Company, Inc. (ECI) | 100 | 100 |
| NorthBeacon Commercial Corporation NBCC) | 100 | 100 |
| Red Creek Properties, Inc. | 100 | 100 |
| Regent Time International, Limited (Regent Time) (British Virgin Islands) | 100 | 100 |
| North Eastern Commercial Corp. (formerly Asterion Technopod, Incorporated) | 100 | 100 |
| Westview Commercial Ventures Corp. (Westview) | | |

| | | |
|--|-----|-----|
| (formerly Crestview E-Office Corporation) | 100 | 100 |
| North Ventures Commercial Corp. (formerly Fairview Prime Commercial Corp. (formerly Gisborne Property Holdings, Inc.)) | 100 | 100 |
| Hillsford Property Corporation (HPC) | 100 | 100 |
| Primavera Towncentre, Inc. (PTI) | 100 | 100 |
| Summerhill E-Office Corporation (Summerhill) | 100 | 100 |
| Sunnyfield E-Office Corporation (Sunnyfield) | 100 | 100 |
| Subic Bay Town Centre, Inc. | 100 | 100 |
| Regent Wise Investments Limited (Regent Wise) (Hongkong company) | 100 | 100 |
| AyalaLand Real Estate Investments Inc. | 100 | 100 |
| AyalaLand Advisory Broadway Inc. | 100 | 100 |
| AyalaLand Development (Canada) Inc. | 100 | 100 |
| AyalaLand OpenAsia Holdings PTE, Limited | 100 | 100 |
| Blue Horizons Holdings PTE, Limited | 100 | 100 |
| Modular Construction Technology (MCT) Bhd. | 66 | 66 |
| AREIT Fund Manager, Inc. (formerly AyalaLand Commercial REIT, Inc. (ALCRI)) | 100 | 100 |
| Arvo Commercial Corporation (Arvo) | 100 | 100 |
| BellaVita Land Corporation (BellaVita) | 100 | 100 |
| Nuevo Centro, Inc. (Nuevo Centro) | 54 | 54 |
| Alviera Country Club, Inc. | 50 | 50 |
| Cavite Commercial Town Center, Inc. | 100 | 100 |
| AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) | 100 | 100 |
| AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo)) | 100 | 100 |
| First Gateway Real Estate Corp. | 100 | 100 |
| Glensworth Development, Inc. (Glensworth) | 100 | 100 |
| UP North Property Holdings, Inc. | 100 | 100 |
| ALO Prime Realty Corporation | 100 | 100 |
| Makati Cornerstone Leasing Corp. | 100 | 100 |
| Arca South Commercial Ventures Corp. | 100 | 100 |
| Capitol Central Commercial Ventures Corp. | 100 | 100 |
| Bay City Commercial Ventures Corp. | 100 | 100 |
| Aurora Properties Incorporated | 81 | 81 |
| Soltea Commercial Corp. | 16 | 16 |
| Vesta Property Holdings, Inc. | 78 | 78 |
| Altaraza Prime Realty Corporation | 100 | 100 |
| Altaraza Development Corporation | 100 | - |
| Prow Holdings Inc | 55 | 55 |
| Station Square East Commercial Corporation (SSECC) | 69 | 69 |
| AREIT Property Managers, Inc. (formerly Next Urban Alliance Development Corp.) | 100 | 100 |
| Accendo Commercial Corp. (Accendo) | 67 | 67 |
| Avencosouth Corp. | 20 | 20 |
| Aviana Development Corporation | 7 | 7 |
| Aviana Development Corporation | 50 | 50 |
| Cagayan de Oro Gateway Corp. (CDOGC) | 70 | 70 |
| Ceci Realty, Inc. (Ceci) | 60 | 60 |
| Soltea Commercial Corp. | 12 | 12 |
| Soltea Commercial Corp. | 60 | 60 |
| CMPI Holdings, Inc. | 60 | 60 |
| CMPI Land, Inc. | 36 | 36 |
| ALI-CII Development Corporation (ALI-CII) | 50 | 50 |
| Roxas Land Corporation (RLC) | 50 | 50 |
| Adauge Commercial Corporation (Adauge) | 60 | 60 |
| Ayalaland Estates, Inc. (formerly Southgateway Development Corp.) | 100 | 100 |
| Ayalaland MetroNorth, Inc. (AMNI) | 100 | 100 |
| Verde Golf Development Corporation | 100 | 100 |
| North Triangle Depot Commercial Corporation (NTDCC) | 73 | 73 |
| BGWest Properties, Inc. (BGW) | 50 | 50 |
| Lagdigan Land Corporation | 60 | 60 |
| Central Block Developers, Inc. | 45 | 45 |
| Central Bloc Hotel Ventures | 45 | 45 |
| Cebu Holdings, Inc. (CHI) | 71 | 70 |
| Cebu Leisure Company, Inc. | 71 | 70 |

| | | |
|--|-----|-----|
| CBP Theatre Management Inc. | 71 | 70 |
| Taft Punta Engaño Property Inc. (TPEPI) | 39 | 39 |
| Cebu Insular Hotel Company, Inc. (CIHCI) | 26 | 26 |
| Solinea, Inc. | 25 | 25 |
| Amaia Southern Properties, Inc. (ASPI) | 25 | 25 |
| Southportal Properties, Inc. | 25 | 25 |
| Central Block Developers, Inc | 39 | 39 |
| Central Bloc Hotel Ventures | 39 | 39 |
| Asian I-Office Properties, Inc. (AIOPI) | 71 | 70 |
| Alabang Commercial Corporation (ACC) | 50 | 50 |
| South Innovative Theater Management (SITMI) | 50 | 50 |
| ALI Commercial Center Inc. | 100 | 100 |
| AMC Japan Concepts, Inc. | 75 | 75 |
| AyalaLand Logistics Holdings Corp. (formerly Prime Orion Philippines Inc.) | 71 | 71 |
| FLT Prime Insurance Corp. | 56 | 56 |
| Orion Solutions, Inc | 71 | 71 |
| Orion I Holdings Philippines, Inc. | 71 | 71 |
| OE Holdings, Inc. | 71 | 71 |
| Orion Land Inc. | 71 | 71 |
| Lepanto Ceramics, Inc. | 71 | 71 |
| Laguna Technopark, Inc. (LTI) | 68 | 68 |
| Ecozone Power Management, Inc. | 68 | 68 |
| Unity Realty & Development Corp. | 71 | 71 |
| Ayalaland Malls Synergies, Inc. | 100 | 100 |
| Ayala Land Malls, Inc. (formerly Solerte, Inc.) | 100 | 100 |
| AyalaLand Malls Vismín, Inc. | 100 | 100 |
| AyalaLand Malls NorthEast, Inc. | 100 | 100 |
| Construction: | | |
| Makati Development Corporation (MDC) | 100 | 100 |
| MDC Subic, Inc. | 100 | 100 |
| MDC Build Plus, Inc. | 100 | 100 |
| MDC Conqrete, Inc. (MCI) | 100 | 100 |
| MDC Equipment Solutions, Inc. (MESI) | 100 | 100 |
| MDBI Construction Corp. (formerly MDC Triangle) | 67 | 67 |
| 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 |
| Asian Conservation Company Limited and Subsidiary | 100 | 100 |
| Enjay Hotels, Inc. (Enjay) | 100 | 100 |
| Greenhaven Property Venture, Inc. (GPVI) | 100 | 100 |
| Cebu Insular Hotel Company, Inc. (CIHCI) | 63 | 63 |
| Bonifacio Hotel Ventures, Inc. | 100 | 100 |
| Southcrest Hotel Ventures, Inc. | 67 | 67 |
| Northgate Hotel Ventures, Inc. | 70 | 70 |
| North Triangle Hotel Ventures, Inc. | 100 | 100 |
| Ecosouth Hotel Ventures, Inc. | 100 | 100 |
| Sentera Hotel Ventures Inc. | 100 | 100 |
| Econorth Resorts Ventures, Inc. | 100 | 100 |
| ALI Triangle Hotel Ventures, Inc. | 100 | 100 |
| Circuit Makati Hotel Ventures, Inc. | 100 | 100 |
| Capitol Central Hotel Ventures, Inc. | 100 | 100 |
| Arca South Hotel Ventures, Inc. | 100 | 100 |
| Sicogon Town Hotel, Inc. | 100 | 100 |
| Bay Area Hotel Ventures, Inc. | 100 | 100 |
| Makati North Hotel Ventures, Inc. | 100 | 100 |
| One Makati Hotel Ventures, Inc. | 100 | 100 |
| Sicogon Island Tourism Estate, Corp. | 100 | 100 |
| Asiatown Hotel Ventures, Inc. | 100 | 100 |

| | | |
|--|-----|-----|
| One Makati Residential Ventures, Inc. | 100 | 100 |
| ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.) | 20 | 20 |
| ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) | 20 | 20 |
| Ten Knots Phils., Inc. (TKPI) | 60 | 60 |
| Bacuit Bay Development Corporation | 60 | 60 |
| Lio Resort Ventures Inc. | 60 | 60 |
| North Liberty Resort Ventures Inc. | 60 | 60 |
| Paragua Eco-Resort Ventures Inc. | 60 | 60 |
| Lio Tourism Estate Management Corp. | 60 | 60 |
| Ten Knots Development, Corp. (TKDC) | 60 | 60 |
| Chirica Resorts Corp. | 60 | 60 |
| Kingfisher Capital Resources Corp. | 60 | 60 |
| Pangulasian Island Resort Corporation | 60 | 60 |
| Integrated Eco-resort Inc. | 100 | 100 |
| Property Management: | | |
| 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 |
| Entertainment: | | |
| Five Star Cinema, Inc. | 100 | 100 |
| Leisure and Allied Industries Philippines, Inc. (LAIP) | 50 | 50 |
| Others: | | |
| MZM Holdings, Inc. (MZM) | - | - |
| ALInet.com, Inc. (ALInet) | 100 | 100 |
| First Longfield Investments Limited (First Longfield) (Hongkong company) | 100 | 100 |
| Green Horizons Holdings Limited | 100 | 100 |
| PCM Formosa Company Limited | 50 | 50 |
| Esta Galleria, Inc. | 50 | 50 |
| Horizon Wealth Holding, Ltd. | 100 | 100 |
| Food Court Company, Inc. (FCCI) | - | - |
| Aprisa Business Process Solutions, Inc. (Aprisa) | 100 | 100 |
| Studio Ventures, Inc. (SVI) | - | - |
| AyalaLand Club Management, Inc. | 100 | 100 |
| ALI Capital Corp. (formerly Varejo Corp.) | 100 | 100 |
| Airsift Transport, Inc. (formerly Island Transvoyager, Inc.) | 100 | 100 |
| Swift Aerodrome Services, Inc. | 100 | - |
| Arca South Integrated Terminal, Inc. | 100 | 100 |
| Whiteknight Holdings, Inc. (WHI) | 100 | 100 |
| Ayalaland Medical Facilities Leasing Inc. (Ayala Land Healthcare Leasing Inc.) | 100 | 100 |
| Anvaya Cove Beach and Nature Club, Inc. | 73 | 73 |
| Anvaya Cove Golf and Sports Club, Inc. | 76 | 76 |

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

** includes CPVD interest in CBDI

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

Changes in the group structure in 2020:

Swift Aerodrome Services, Inc. was incorporated in January 20, 2020 and is 100% owned by ALI Capital Corporation (ALICAP), a wholly owned subsidiary of ALI. The company was organized primarily to manage and operate airports owned by ALI.

Altaraza Development Corporation was incorporated on May 27, 2020 and is 51% owned by ALI and 49% owned by Gregorio Araneta, Inc. and Araza Resources, Inc. ("Araneta Group"). The company was organized primarily to acquire and develop or hold land for investments in Altaraza Estate in Bulacan.

The following are the changes in group structure in 2019:

Central Block Hotel Ventures, Inc. was incorporated in October 28, 2019 and is 100% owned by Central Block Developers, Inc., a 45% owned by ALI and 55% owned by Cebu Holdings, Inc. (CHI). The company was organized to operate Seda Hotel Central Block in Cebu City.

AyalaLand Logistics Holdings, Corp (formerly Prime Orion Philippines, Inc.) and Laguna Technopark, Inc.

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

On May 10, 2019, Prime Orion Philippines, Inc., changed its corporate name to Ayalaland Logistics Holdings Corp. (ALLHC).

On June 10, 2019, ALI sold its 20% equity interest or 8,051 common shares in LTI to ALLHC for a consideration of P800 million.

On September 9, 2019, Orion Land, Inc. sold through a special block sale, 215,090,031 common shares of ALLHC to its affiliate, Avida Land Corporation for a total consideration of P628,062,891.00. On September 27, 2019, ALI acquired the 215,090,031 common shares of ALLHC from Avida Land Corp. through a special block sale at P2.92/share for a total consideration of P628,062,891.00. As a result of the transaction, ALI's effective ownership in ALLHC increased to 71.68%.

Increased stake in Cebu Holdings, Inc.

On April 17, 2019, ALI acquired additional 14,913,200 common shares of Cebu Holdings, Inc. through the Philippine Stock Exchange totaling P88.7 million. This transaction increased ALI's ownership from 70.4% to 71.1%.

San Lazaro BPO Complex Joint Venture

On September 24, 2019, ALI sold to Manila Jockey Club, Inc. (MJC) its rights, titles and interest in Vertex One Building, located at Felix Huertas Road, Sta. Cruz, Manila, consisting of office units with an aggregate area of 13,517 sqm and 206 appurtenant parking spaces, resulting in MJC owning 100% of Vertex One for a total consideration of P511,653,100.00.

2. Basis of Financial Statement Preparation

The accompanying unaudited, condensed, and 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, 2019 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, 2019.

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 Parent Company's functional currency, and rounded to the nearest thousands (₱000) except when otherwise indicated.

On August 4, 2020, 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 June 30, 2020 and December 31, 2019.

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

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

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

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

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

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

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions. The portion of profit or loss and net assets in subsidiaries not wholly-owned are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, separately from the Parent Company's equity. Non-controlling interests are net of any outstanding subscription receivable.

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.

New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective except for the amendments to PFRS 16, *Leases*.

Unless otherwise indicated, adoption of these new standards did not have an impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations*, *Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the

primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Group adopted the amendments beginning January 1, 2020 and did not have a significant impact on the Group.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely

1based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
 - A simplified approach (the premium allocation approach) mainly for short-duration contracts
- PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

The new standard is 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.

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. 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 deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

The Group is currently assessing the impact of adopting these amendments.

4. Cash and Cash Equivalents

This account consists of the following:

| (in million pesos) | June 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--------------------|--|--|
| Cash on Hand | ₱76 | ₱73 |
| Cash in Banks | 12,404 | 14,555 |
| Cash Equivalents | 3,936 | 5,785 |
| TOTAL | ₱16,416 | ₱20,413 |

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

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:

| | June 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|-----------------|------------------------------|--------------------------------|
| Philippine Peso | 2.50% to 2.75% | 3.0% |
| US Dollar | 0.25% to 1.8% | 1.8% to 2.0% |

6. Financial Assets at FVPL

This account consists of the following:

| (in million pesos) | June 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|------------------------------|--------------------------------|
| Investment in Arch Capital Fund | P355 | P389 |
| Investment in Unit Investment Trust Fund (UITF) | 122 | 96 |
| TOTAL | P477 | P485 |

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) | June 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|------------------------------|--------------------------------|
| Trade: | | |
| Residential | P106,878 | P104,261 |
| Shopping Centers | 5,273 | 3,685 |
| Construction Contracts | 1,651 | 1,553 |
| Corporate Business | 4,508 | 3,828 |
| Management fees | 164 | 99 |
| Others | 4,904 | 4,559 |
| Advances to other companies | 18,070 | 18,984 |
| Accrued receivables | 7,001 | 7,789 |
| Receivables from related parties (Note 18) | 6,010 | 6,130 |
| Receivables from employees | 877 | 901 |
| | 155,336 | 151,789 |
| Less allowance for impairment losses | 1,316 | 1,186 |
| | 154,020 | 150,603 |
| Less noncurrent portion | 38,421 | 45,564 |
| | P115,599 | P105,039 |

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
- Corporate business - pertain to lease receivables from office and factory buildings; and receivables from the sale of office buildings and industrial lots
- Shopping centers - pertain to lease receivables from retail spaces
- Management fees - pertain to receivables from facilities management services
- Others - pertain to receivables from hotel operations and other support services

Residential, commercial, and office development receivables are collectible in monthly installments over a period of one (1) to ten (10) years. These are carried at amortized cost using the effective interest rate method with annual interest rates ranging from 6% to 16%. Titles to real estate properties are transferred to the buyers only until the full payment has been made.

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

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

Receivables from hotel operations and other support services included under other trade receivables are normally due within 30 to 90 days upon billing.

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

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

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

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

The Group entered into agreements with BPI Asset Management and Trust Corporation in 2019 for the assignment of interest-bearing employee receivables amounting to ₱11.3 million. The transactions were without recourse and did not result to any gain or loss.

The Group sold real estate receivables on a without recourse basis to partner mortgage banks, which include BPI Family Savings Bank, a related party, totaling to ₱7,148 in the first half of 2020 and ₱9,976 in the full-year of 2019. These were sold at discount with total proceeds of ₱6,512 million for first half of 2020 and ₱9,281 million in the full-year of 2019. The Group recognized loss on sale, under "Other Charges" amounting to ₱636 million in the first half of 2020 and ₱775 million in the full-year of 2019.

As of June 30, 2020, (unaudited) aging analysis of past due but not impaired trade receivables presented per class, follow:

| June 30, 2020 (in millions) | Neither Past Due nor Impaired | Past Due but not impaired | | | | | Total | Individually | |
|------------------------------------|-------------------------------------|---------------------------|---------------|---------------|----------------|----------------|----------------|--------------|-----------------|
| | | <30 days | 30-60 days | 61-90 days | 91-120 days | >120 days | | Impaired | Total |
| Trade | P105,316 | P5,615 | P1,651 | P1,742 | P1,901 | P6,455 | P17,364 | P698 | P123,378 |
| Residential | 92,629 | 5,228 | 1,403 | 1,510 | 1,502 | 4,590 | 14,233 | 16 | 106,878 |
| Shopping Centers | 3,131 | 228 | 109 | 100 | 259 | 1,050 | 1,746 | 396 | 5,273 |
| Construction Contracts | 1,336 | 79 | 22 | 68 | 11 | 97 | 277 | 38 | 1,651 |
| Corporate Business | 3,582 | 67 | 73 | 30 | 84 | 469 | 723 | 203 | 4,508 |
| Management Fees | 67 | - | 34 | 16 | - | 33 | 83 | 14 | 164 |
| Others | 4,571 | 13 | 10 | 18 | 45 | 216 | 302 | 31 | 4,904 |
| Advances to other companies | 10,942 | 869 | 23 | 15 | 58 | 6,065 | 7,030 | 98 | 18,070 |
| Accrued Receivables | 5,599 | 27 | 50 | 61 | 89 | 1,175 | 1,402 | - | 7,001 |
| Related Parties | 4,381 | 319 | 318 | 220 | 159 | 613 | 1,629 | - | 6,010 |
| Receivables from employees | 789 | 4 | - | 1 | 4 | 79 | 88 | - | 877 |
| Total | P127,027 | P6,834 | P2,042 | P2,039 | P2,211 | P14,387 | P27,513 | P796 | P155,336 |

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.

9. Other Current Assets

This account consists of:

| (in million pesos) | As of June 30, 2020 | As of December 31, 2019 |
|---|------------------------|----------------------------|
| Value-added input tax | P13,510 | P14,516 |
| Prepaid expenses | 17,248 | 14,356 |
| Advances to contractors | 14,244 | 13,218 |
| Creditable withholding taxes | 6,262 | 4,711 |
| Materials, parts and supplies – at cost | 825 | 999 |
| Others | 1,191 | 792 |
| Total | P53,280 | P48,592 |

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

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

Advances to contractors represents prepayments for the construction of inventories.

Creditable withholding taxes are applied against income tax payable.

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

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

10. Investment in Associates and Joint Ventures

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

| (in thousand pesos) | Percentage of Ownership | | Carrying Amounts | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | As of Jun 30 2020 | As of Dec 31 2019 | As of Jun 30 2020 | As of Dec 31 2019 |
| Joint Ventures: | | | | |
| Emerging City Holdings, Inc. (ECHI) | 50% | 50% | 3,920,283 | 4,075,620 |
| Berkshires Holdings, Inc. (BHI) | 50% | 50% | 1,935,036 | 2,002,726 |
| Cebu District Property Enterprise, Inc. (CDPEI) | 35% | 35% | 1,433,631 | 1,443,220 |
| Alveo-Federal Land Communities, Inc. | 50% | 50% | 927,250 | 904,452 |
| ALI-ETON Property Development Corporation | 50% | 50% | 3,426,838 | 3,294,858 |
| AyaGold Retailers, Inc. (AyaGold) | 50% | 50% | 160,670 | 160,429 |
| BYMCW, Inc. | 31% | 31% | 55,500 | 55,500 |
| SIAL Specialty Retailers, Inc. (SIAL Specialty) | 50% | 50% | 31,744 | 31,744 |
| AKL Properties, Inc. | 50% | 50% | 2,272,426 | 2,274,254 |
| | | | 14,163,378 | 14,242,803 |
| Associates: | | | | |
| Ortigas Land Corporation (OLC) | 21% | 21% | 8,648,156 | 8,540,155 |
| Bonifacio Land Corp. (BLC) | 10% | 10% | 1,418,757 | 1,479,284 |
| Rize-Ayalaland (Kingsway) GP, Inc. (Rize-Ayalaland) | 49% | 49% | 448,613 | 448,613 |
| Tianjin Eco-City Ayala Land Development Co., Ltd (Tianjin Eco-City) | 40% | 40% | 151,131 | 474,486 |
| Mercado General Hospital, Inc. (MGHI) | 39% | 40% | 33,470 | 96,551 |
| Lagoon Development Corporation | 30% | 30% | 38,760 | 35,689 |
| | | | 10,738,887 | 11,074,778 |
| Total | | | 24,902,265 | 25,317,581 |

Financial information of the associates with material interest:

Ortigas Land Corporation (OLC) Formerly OCLP Holdings, Inc. (OHI)

OLC owns 99.5% interest in Ortigas & Company Limited Partners (OCLP), an entity engaged in real estate development and leasing businesses. In 2016, ALI acquired a 21.1% stake in OLC 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 OLC shareholders and this was recorded under "Investments in associates and joint ventures" account.

Below is the summarized financial information for OLC:

| (in thousand pesos) | As of Jun 30, 2020 | As of Dec 31, 2019 |
|--|-----------------------|-----------------------|
| Ortigas Land Corporation | | |
| Current assets | 18,325,868 | 20,459,694 |
| Noncurrent assets | 21,914,599 | 19,563,645 |
| Current liabilities | 11,063,419 | 13,360,788 |
| Noncurrent liabilities | 19,333,191 | 17,374,206 |
| Equity | 9,843,857 | 9,288,344 |
| Proportion of Group's ownership | 21.0% | 21.0% |
| Group's share in identifiable net assets | 2,067,210 | 1,950,552 |
| Carrying amount of the investment | 8,648,156 | 8,540,155 |
| Fair value adjustments | 6,580,946 | 6,589,603 |
| Negative Goodwill | - | - |
| Dividends received | - | - |
| Revenue | 4,208,545 | 12,214,233 |
| Cost and expenses | (3,650,830) | (9,877,006) |
| Net income (continuing operations) | 557,715 | 2,337,227 |
| Group's share in net income for the year | 117,120 | 490,818 |
| Total comprehensive income | 553,606 | 2,337,227 |
| Group's share in total comprehensive income for the year | 135,121 | 490,818 |

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 |
|--|---------------------|---------------------|
| Bonifacio Land Corporation | Jun 30, 2020 | Dec 31, 2019 |
| Current assets | 4,702,984 | 10,996,893 |
| Noncurrent assets | 38,356,361 | 32,437,784 |
| Current liabilities | 3,789,819 | 3,066,467 |
| Noncurrent liabilities | 7,188,235 | 7,175,865 |
| Equity | 32,081,290 | 33,192,345 |
| Less: noncontrolling interest | 14,398,235 | 14,896,099 |
| Equity attributable to Parent Company | 17,683,055 | 18,296,246 |
| Proportion of Group's ownership | 10.1% | 10.1% |
| Group's share in identifiable net assets | 1,785,989 | 1,847,921 |
| Carrying amount of the investment | 1,418,757 | 1,479,284 |
| Negative Goodwill | 367,231 | 368,737 |
| Dividends received | 111,048 | 80,836 |
| Revenue | 2,115,889 | 5,790,288 |
| Cost and expenses | (1,321,139) | (3,150,446) |
| Net income (continuing operations) | 794,750 | 2,639,842 |
| Net income attributable to minority interest | (371,443) | (1,242,515) |
| Net income attributable to parent | 423,307 | 1,397,327 |
| Group's share in net income for the year | 42,754 | 141,130 |
| Total comprehensive income attributable to parent | 423,307 | 1,397,327 |
| Group's share in total comprehensive income for the year | 42,754 | 141,130 |

Aggregate financial information on associates with immaterial interest:

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

| (in thousand pesos) | As of | As of |
|--|---------------------|---------------------|
| Rize-Ayalaland, Tianjin Eco-City, LDC, MGHI, others | Jun 31, 2020 | Dec 31, 2019 |
| Carrying amount | 671,974 | 1,055,339 |
| Share in net income (loss) from continuing operations | (55,190) | (216,534) |
| Share in total comprehensive income (loss) | (55,190) | (216,534) |

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 |
|-------------------------------------|---------------------|---------------------|
| Emerging City Holdings, Inc. | Jun 30, 2020 | Dec 31, 2019 |
| Current assets | 4,917,967 | 11,219,613 |
| Noncurrent assets | 38,361,815 | 32,437,964 |
| Current liabilities | 4,117,125 | 3,395,804 |
| Noncurrent liabilities | 7,188,235 | 7,175,865 |
| Equity | 31,974,422 | 33,085,909 |
| Less: minority interest | 23,469,855 | 24,244,695 |
| Equity | 8,504,567 | 8,841,213 |
| Proportion of Group's ownership | 50.0% | 50.0% |

| | | |
|--|-------------|-------------|
| Group's share in identifiable net assets | 4,252,283 | 4,420,607 |
| Carrying amount of the investment | 3,920,283 | 4,075,620 |
| Fair value adjustments | 332,000 | 344,987 |
| Dividends received | 332,000 | 175,000 |
| Revenue | 2,117,738 | 5,795,508 |
| Cost and expenses | (1,325,593) | (3,158,836) |
| Net income (continuing operations) | 792,144 | 2,636,671 |
| Net income attributable to minority interest | (575,427) | (1,916,480) |
| Net income attributable to parent | 216,717 | 720,191 |
| Group's share in net income for the period | 108,359 | 360,096 |
| Total comprehensive income attributable to parent | 218,003 | 722,037 |
| Group's share in total comprehensive income for the period | 109,002 | 361,019 |

AKL Properties, Inc.

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

| (in thousand pesos) | As of Jun 30, 2020 | As of Dec 31, 2019 |
|--|-----------------------|--------------------------|
| AKL Properties, Inc. | | |
| Current assets | 1,187,289 | 803,666 |
| Noncurrent assets | 3,352,455 | 3,748,654 |
| Current liabilities | 15 | 8,811 |
| Noncurrent liabilities | 0 | 0 |
| Equity | 4,539,759 | 4,543,508 |
| Proportion of Group's ownership | 50.0% | 50.0% |
| Group's share in identifiable net assets | 2,269,879 | 2,271,754 |
| Carrying amount of the investment | 2,272,426 | 2,274,254 |
| Fair value adjustments | 2,546 | 2,500 |
| Negative Goodwill | - | - |
| Dividends received | - | - |
| Revenue | 317 | 336 |
| Cost and expenses | (3,974) | (6,446) |
| Net income (continuing operations) | (3,656) | (6,110) |
| Group's share in net income for the period | (1,828) | (3,055) |
| Total comprehensive income attributable to parent | (3,656) | (6,110) |
| Group's share in total comprehensive income for the period | (1,828) | (3,055) |

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

| (in thousand pesos) | As of Jun 30 2020 | As of Dec 31 2019 |
|--|-------------------------|-------------------------|
| BHI, CDPEI, Alveo-Federal, ALI-Eton, SIAL Specialty, AyaGold and BYMCW, Inc | | |
| Carrying amount | 7,970,669 | 7,892,929 |
| Share in net income (loss) from continuing operations | 107,939 | 421,773 |
| Share in total comprehensive income (loss) | 107,939 | 421,773 |

11. Other noncurrent assets

This account consists of:

| (in million pesos) | As of June 30, 2020 | As of December 31, 2019 |
|-------------------------|------------------------|----------------------------|
| Advances to contractors | ₱ 8,626 | ₱13,664 |
| Prepaid expenses | 11,218 | 10,668 |
| Leasehold rights | 3,623 | 3,685 |
| Deferred input VAT | 2,380 | 1,676 |
| Deposits - others | 2,542 | 2,452 |
| Investment in bonds | 2,310 | 2,310 |
| Net pension assets | 31 | 74 |
| Development rights | 63 | 63 |
| Others | 246 | 288 |
| Total | ₱31,039 | ₱34,880 |

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

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

Leasehold rights consist of the following:

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

Movements during the period are as follows:

| (in million pesos) | June 30, 2020 | Dec 31, 2019 |
|---|---------------|---------------|
| Balance at the beginning of the year | ₱3,685 | ₱3,869 |
| Amortization | (62) | (184) |
| Balance at the end of the period | ₱3,623 | ₱3,685 |

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

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

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

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

12. Short-Term and Long-Term Debt

The short-term debt of the Company ended at P41,455 million and P18,033 million as of June 30, 2020 and December 31, 2019, 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 P19,365.6 million and P24,416.9 million as of June 30, 2020 and December 31, 2019 are secured by 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 4.52% and 4.98% per annum for the first half ending June 30, 2020 and for the year ending December 31, 2019, respectively.

Long-term debt consists of:

| (in thousand pesos) | June 30, 2020 | December 31, 2019 |
|-------------------------------------|--------------------|--------------------|
| Company: | | |
| Bonds: | | |
| Due 2020 | P 4,000,000 | P 4,000,000 |
| Due 2021 | 9,000,000 | 9,000,000 |
| Due 2022 | 22,650,000 | 12,650,000 |
| Due 2023 | 15,000,000 | 15,000,000 |
| Due 2024 | 18,000,000 | 18,000,000 |
| Due 2025 | 15,000,000 | 15,000,000 |
| Due 2026 | 16,000,000 | 16,000,000 |
| Due 2027 | 8,000,000 | 8,000,000 |
| Due 2028 | 10,000,000 | 10,000,000 |
| Due 2033 | 2,000,000 | 2,000,000 |
| Fixed Rate Corporate Notes (FXCNs) | 5,675,000 | 5,710,000 |
| PHP-denominated long-term loan | 33,383,411 | 41,885,094 |
| USD-denominated long-term loan | 6,228,750 | 6,329,375 |
| | 164,937,161 | 163,574,469 |
| Subsidiaries: | | |
| Bonds | | |
| Due 2021 | P5,000,000 | P5,000,000 |
| Bank Loans – Philippine Peso | 16,262,626 | 24,046,410 |
| Bank Loans – Malaysian Ringgit | 2,641 | 4,875 |
| FXCNs | 1,331,250 | 1,350,000 |
| | 22,596,517 | 30,401,285 |
| | 187,533,678 | 193,975,754 |
| Less: Unamortized Transaction Costs | 988,156 | 911,703 |
| | 186,545,522 | 193,064,051 |
| Less: Current Portion | 12,504,653 | 17,250,706 |
| | 174,040,869 | 175,813,345 |

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

In April 2012, the Parent Company issued a total of P15,000.0 million bonds, broken down into a P9,350.0 million bond due 2019 at a fixed rate equivalent to 5.6% p.a. and a P5,650.0 million bond due 2022 at a fixed rate equivalent to 6.0% p.a. 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. The Parent Company fully paid the P9,350.0-million bond in April 2019.

Philippine Peso 5-year and 10-year and 6-month Bonds due 2024

In July 2013, the Parent Company issued a total of P15,000.0 million bonds due 2024 at a fixed rate equivalent to 5.0% p.a. Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a "AAA" on the bonds indicating that it has a minimal credit risk owing to the Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP. In 2019, the Parent Company issued a total of P3,000.0 million bonds due 2024 at a fixed rate equivalent to 4.758% p.a. under its new shelf registration. PhilRatings assigned a PRS Aaa rating on the bonds.

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

In October 2013, the Parent Company issued a total of P6,000.0 million bonds, broken down into a P4,000.0 million bond due 2020 at a fixed rate equivalent to 4.6% p.a. and a P2,000.0 million bond due 2033 at a fixed rate equivalent to 6.0% p.a. CRISP assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to the Parent Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 11-year Bonds due 2025

In April 2014, the Parent Company issued a total of P8,000.0 million bonds due 2025 at a fixed rate equivalent to 5.6% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 7.0 Billion Fixed Rate Bonds due 2022

In April 2015, the Parent Company issued a total of P7,000.0 million bonds due 2022 at a fixed rate equivalent to 4.5% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 9-year and 6-month Bonds due 2025

In April 2016, the Parent Company issued a total of P7,000.0 million bonds due 2025 at a fixed rate equivalent to 4.75% p.a. The Bonds is the second tranche of the Fixed-rate Bonds Series under the Parent Company's P50,000.0 million Debt Securities Program registered in the SEC. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 7-year and 10-year Bonds due 2026

In March 2016, the Parent Company issued a total of P8,000.0 million bonds due 2026 at a fixed rate equivalent to 4.85% p.a. The Bonds is the first tranche of the Fixed-rate Bonds Series under the Parent Company's P50,000 million Debt Securities Program registered in the SEC. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings. In May 2019, the Parent Company issued an P8,000.0 million fixed rate bond due 2026 at a rate equivalent to 6.369% p.a. The Bonds represent the first tranche of debt securities issued under the Parent Company's new P50,000.0 million Debt Securities Program registered with the SEC, and listed on the PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 3-Year Homestarter Bond due 2019 and 7-year Bonds due 2023

In October 2016, the Parent Company issued a total of P10,000.0 million bonds, broken down into a P3,000.0 million Homestarter bond due 2019 at a fixed rate of 3.0% p.a. and a P7,000.0 million fixed rate bond due 2023 at a rate equivalent to 3.8915% p.a. The Bonds represent the first tranche of Homestarter Bonds series and the third tranche of the Fixed-rate Bonds Series issued under the Parent Company's P50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. In 2017, the Parent Company paid P9.1 million as an early down payment of the outstanding 3-Year Homestarter Bond. In 2018, the Parent Company paid P8.4 million as an early down payment of the outstanding 3-Year Homestarter Bond. The Parent Company fully paid the remaining Homestarter Bond on October 21 and December 23, 2019.

Philippine Peso 7-year and 3-month and 10-year Bonds due 2027

In May 2017, the Parent Company issued a P7,000.0 million fixed rate bond due 2027 at a rate equivalent to 5.2624% p.a. The Bonds represent the fourth tranche of the Fixed-rate Bonds Series issued under the Parent Company's P50,000.0 million Debt Securities Program registered with the SEC, and listed in PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. In November 2019, the Parent Company issued a P1,000.0 million fixed rate bond due 2027 at a rate equivalent to 4.9899 % p.a. This was the third tranche of bonds issued under the new P50,000.0 million shelf registration of the Parent Company. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2028

In April 2018, the Parent Company issued a P10,000.0 million fixed rate bond due 2028 at a rate equivalent to 5.9203% p.a. and subject to repricing on 27 April 2023, the fifth anniversary of the Issue Date, at the higher of 5.9203% or the prevailing 5-year benchmark plus 75 bps. The Bonds represent the fifth tranche of the Fixed-rate Bonds Series issued under the Parent Company's P50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5-year Bonds due 2023

In October 2018, the Parent Company issued a P8,000.0 million fixed rate bond due 2023 at a rate equivalent to 7.0239% p.a. The Bonds represent the sixth and final tranche of the Fixed-rate Bonds Series issued under the Parent Company's P50,000.0 million Debt Securities Program registered with the SEC, and listed on the PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 2-year Bonds due 2021 and 2022

In November 2019, the Parent Company issued a P9,000.0 million fixed rate bond due 2021 at a rate equivalent to 4.2463% p.a. The Bonds form part of the third tranche of debt securities issued under the Parent Company's new P50,000.0 million Debt Securities Program registered with the SEC, and listed on the PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. In June 2020, the Parent Company issued a P10,000.0 million fixed rate bond due 2022 at a rate equivalent to 3.0000 % p.a. This was the third tranche of bonds issued under the 2019 P50,000.0 million shelf registration of the Parent Company. The Bonds have also been rated PRS Aaa with a Stable Outlook by PhilRatings.

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

In January 2011, the Parent Company issued P10,000.0 million 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 5.6% to 7.5% p.a. depending on the term of the notes. The Company prepaid P1,950.0 million of notes due in 2016 on January 19, 2013. In 2014, the Parent Company paid P43.0 million for the matured portion of the loan. In January 2016, the Parent Company paid P3,750 million notes for the matured portion of the loan. In 2017, the Parent Company paid P43.0 million for the matured portion of the loan. In 2018, the Company prepaid P3,234.0 million notes and paid P10.0 million for the matured portion of the loan. In 2019 and 2020, the Parent Company paid a total of P20.0 million for the matured portion of the loan. As of June 30, 2020 and December 31, 2019, the remaining balance of the FXCN amounted to P950.0 million and P960.0 million, respectively.

Philippine Peso 10-year Note due 2023

In December 2012, the Parent Company executed a P5,000.0 million committed Corporate Note facility with a local bank, of which an initial P3,500.0 million was drawn in 2012. The balance of P1,500.0 million was subsequently drawn in January 2013. Notes currently bear a fixed interest rate of 4.5%. The Corporate Notes will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In 2015, P50.0 million was prepaid by the Company. In 2016, another P50.0 million worth of amortization was paid by the Parent Company. In 2017, the Parent Company paid another amortization in the amount of P50.0 million. In 2018, 2019 and 2020, a total of P150.0 million worth of amortizations were paid by the Company. As of June 30, 2020, and end-2019, the remaining balance of the note amounted to P4,725.0 million and P4,750.0 million, respectively.

Peso-denominated Long-term Loans

In August to September 2015, the Company assumed an aggregate of P15,526.9 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 carried a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR) and is repriced quarterly. The loan was prepaid in December 2018. As of June 30, 2020 and December 31, 2019, the remaining balance of the assumed long-term facilities amounted to P13,570.9 million and P14,107.8 million

respectively.

In March 2017, the Company executed a P10,000.0 million long-term facility and had an initial drawdown of P5,000.0 billion. The loan has a fixed interest rate of 4.949% for 10 years inclusive of GRT. The balance of P5,000.0 billion was drawn in April 2017.

In March 2018, the Company executed and drew in one lump sum a P5,000.0 million long-term facility. The loan has a fixed interest rate of 4.939% for 10 years inclusive of Gross Receipt Tax (GRT). In September 2019, the Company was able to renegotiate and reduce the rate to 4.939%.

In March and April 2019, the Company executed and drew in two tranches a P13,000.0 million long-term facility. The loan which was drawn at P6,500.0 each, carries a fixed interest rate of 6.2720% and 6.3070%, respectively. In June 2020, the Company prepaid the remaining P12,729.6 million outstanding term loans of the said facility.

As of June 30, 2020, and December 31, 2019, remaining aggregate balance of the Peso-denominated long-term loans amounted to P33,383.4 million and P41,885.1 million, respectively.

US Dollar-denominated Long-term Loans

In November 2019, the Parent Company executed and had simultaneously drawn a US\$125.0 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 proceeds were on lent to MCT to refinance its existing loans. The loan will mature on the fifth anniversary of the initial drawdown date.

As of June 30, 2020, and December 31, 2019, the remaining aggregate balance of US Dollar denominated long term loans amounted to P6,228.8 million and P6,329.4 million, respectively.

Subsidiaries

The subsidiaries' loans will mature on various dates up to 2028. Peso-denominated loans bear various floating interest rates at 50 bps to 80 bps spread over the benchmark 90-day PDST-R2/PHP BVAL Reference Rates or and fixed interest rates ranging from 3.55% to 5.32% p.a. Certain loans which are subject to floating interest rates are subject to floor floating interest rates equivalent to (i) 95.0% or at par of the Overnight Reverse Repurchase Agreement Rate of the Bangko Sentral ng Pilipinas (BSP Overnight Rate) or (ii) the BSP Overnight Rate plus a spread of 20 bps to 75 bps p.a or (iii) the average of the BSP Overnight Deposit Rate and Term Deposit Facility Rate with a term closed to the 90-day interest period. The total outstanding balance of the subsidiaries' term loans as of June 30, 2020 and December 31, 2019 amounted to P17,596.5 million and P25,401.3 million, respectively.

Philippine Peso 5.0 Billion Fixed Rate Bonds due 2021

In September 2014, Cebu Holdings, Inc. issued a total of P5,000.0 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 June 30, 2020 and December 31, 2019

13. Accounts and Other Payables

The accounts and other payables as of June 30, 2020 is broken down as follows:

| Accounts and other payables (in million pesos) | As of June 30, 2020 | As of December 31, 2019 |
|---|---------------------|-------------------------|
| Accounts payable | P71,590 | P84,660 |
| Taxes payable | 21,625 | 22,488 |
| Accrued project costs | 16,553 | 18,269 |
| Liability for purchased land | 10,645 | 9,937 |
| Accrued salaries & employee benefits | 5,481 | 5,792 |
| Retention payable | 4,447 | 4,094 |
| Accrued professional & management fees | 2,673 | 3,837 |
| Accrued repairs and maintenance | 2,706 | 1,903 |
| Interest payable | 1,791 | 2,156 |
| Accrued utilities | 1,013 | 2,335 |
| Accrued advertising and promotions | 1,168 | 1,318 |
| Accrued rentals | 1,185 | 1,082 |
| Payable to related parties (note 18) | 833 | 1,034 |
| Dividends payable | 348 | 632 |
| Development rights payment (DRP) obligation | 277 | - |
| Other accrued expenses | 984 | 3,441 |
| Total | P143,319 | P162,979 |

14. Deposits and other current liabilities

This account consists of:

| (in million pesos) | June 30, 2020 | December 31, 2019 |
|----------------------------------|----------------|-------------------|
| Security and customers' deposits | P14,402 | P25,129 |
| Other current liabilities | 775 | 343 |
| Total | P15,177 | P25,473 |

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

Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition.

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

15. Deposits and other noncurrent liabilities

This consists of:

| (in million pesos) | June 30, 2020 | December 31, 2019 |
|------------------------------|----------------|-------------------|
| Deposits | P35,045 | P22,456 |
| Contractors payable | 6,495 | 6,596 |
| Liability for purchased land | 1,775 | 5,342 |
| Retentions payable | 7,535 | 6,752 |
| Deferred Output VAT | 1,482 | 1,721 |
| Subscriptions payable | 498 | 499 |
| Others liabilities | 378 | 638 |
| Total | P53,208 | P44,004 |

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

Customers' deposits consist of excess of collections over the recognized receivables based on percentage of completion.

Contractors payable represents estimated liability on property development.

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

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

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

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

16. Equity

Treasury Shares

On February 28, March 11, March 12, and March 16, 2020, Ayala Land, Inc. purchased a total of 4,412,000 common shares at an average price of P35.67/share for a total consideration of P156.4 million, pursuant to its share buyback program.

On February 21, 2020, the Board of Directors of Ayala Land, Inc. at its regular meeting approved the increase of an additional P25 billion to the Company's current share buyback program bringing the available balance to P26.1 billion. The program will be implemented through open market purchases executed via the trading facilities of the Philippine Stock Exchange.

On March 5, 2019, pursuant to its share buyback program as disclosed last August 12, 2008, Ayala Land, Inc. (ALI) purchased 10,372,746 common shares at a price of P43.20/share for a total consideration of P448.1 million. As a result of the transaction, total outstanding shares decreased to 14,724,508,335. On November 26, 2019, ALI also acquired a total of 15,000,000 of its common shares at P43.75/share for a total purchase price of P656.3 million.

Declaration of Cash Dividends

On May 26, 2020, the Board of Directors during its meeting approved the declaration of cash dividends of P0.00474786 per outstanding preferred share. The cash dividend was paid on June 25, 2020 to stockholders of preferred shares as of record date Jun 9, 2020.

On February 20, 2020, the Board of Directors during its meeting approved the declaration of cash dividends of P0.268 per outstanding common share. The cash dividend was paid on March 20, 2020 to stockholders of common shares as of record date March 6, 2020.

On February 27, 2019, the Board of Directors during its meeting approved the declaration of cash dividends of P0.26 per outstanding common share. The cash dividend was paid on March 29, 2019 to stockholders of common shares as of record date March 13, 2019.

On May 24, 2019, the Board of Directors during its meeting approved the declaration of cash dividends of P0.00474786 per outstanding preferred share. The cash dividend was paid on June 21, 2019 to stockholders of preferred shares as of record date June 7, 2019.

On October 31, 2019, the Board of Directors during its meeting approved the declaration of cash dividends of P0.26 per outstanding common share. The second-half regular cash dividends, together with the first-half cash dividends is equivalent to an annual dividend payout ratio of 26% of prior years' earnings. The cash dividend will be paid on November 29, 2019 to stockholders of common shares as of record date November 15, 2019.

Employee Stock Ownership Plan

On February 27, 2019, the Board of Directors approved the grant to qualified executives, stock options pursuant to the company's Employee Stock Ownership Plan (the "Plan"), covering up to 14,430,750 common shares at a subscription price of P44.49 per share equivalent to the average closing price of ALI common shares at the Philippine Stock Exchange for 30 consecutive trading days ending February 26, 2019.

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

AyalaLand Logistics Holdings, Corp. formerly Prime Orion Philippines, Inc.

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

On May 10, 2019, Prime Orion Philippines, Inc., changed its corporate name to Ayalaland Logistics Holdings Corp. (ALLHC).

On June 10, 2019, ALI sold its 20% equity interest or 8,051 common shares in LTI to ALLHC for a consideration of P800 million.

On September 9, 2019, Orion Land, Inc. sold through a special block sale, 215,090,031 common shares of ALLHC to its affiliate, Avida Land Corporation for a total consideration of P628,062,891.00. On September 27, 2019, ALI acquired the 215,090,031 common shares of ALLHC from Avida Land Corp. through a special block sale at P2.92/share for a total consideration of P628,062,891.00. As a result of the transaction, ALI's effective ownership in ALLHC increased to 71.46%.

17. Business Combinations and Acquisition of Non-Controlling Interests

Acquisition of Non-Controlling Interest

AyalaLand Logistics Holdings, Corp. (ALLHC) formerly Prime Orion Philippines, Inc. (POPI) and Laguna Technopark, Inc. (LTI)

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

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

In June 2017, Orion Land, Inc. (OLI), a subsidiary of POPI, acquired 512,480,671 common shares equivalent to 11.69% ownership at P2.45 share amounting to P1,255.58 million. The acquisition of shares by OLI was treated as an acquisition of non-controlling interest resulting to a debit-to-equity reserves of P405.18 million.

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

On May 10, 2019, Prime Orion Philippines, Inc., changed its corporate name to Ayalaland Logistics Holdings Corp. (ALLHC).

On June 10, 2019, ALI sold its 20% equity interest or 8,051 common shares in LTI to ALLHC for a consideration of P800 million.

On September 9, 2019, Orion Land, Inc. sold through a special block sale, 215,090,031 common shares of ALLHC to its affiliate, Avida Land Corporation for a total consideration of P628,062,891.00. On September 27, 2019, ALI acquired the 215,090,031 common shares of ALLHC from Avida Land Corp. through a special block sale at P2.92/share for a total consideration of P628,062,891.00. As a result of the transaction, ALI's effective ownership in ALLHC increased to 71.68%.

Business Combination

MCT Bhd

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

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

The mandatory take-over offer made in connection to the acquisition of additional shares in MCT closed as of 5:00 p.m. (Malaysian time) 19 February 2018. Owners of 295,277,682 shares accepted the offer,

equivalent to 22.12% of MCT's total outstanding shares. As a result of the offer, ALI's shareholdings in MCT increased from 50.19% to 72.31%. Total consideration paid is P5.98 billion

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

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

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

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

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

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

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

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

18. Related Party Transactions

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

Terms and Conditions of Transactions with Related Parties

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

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

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

a. Transactions with BPI, an associate of AC

As of June 30, 2020, and December 31, 2019, 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) | June 30, 2020 Unaudited | December 31, 2019 Audited |
|-----------------------|----------------------------|------------------------------|
| Cash in bank | P4,566 | P3,942 |
| Cash equivalents | 1,413 | 906 |
| Marketable Securities | 436 | 80 |
| Short-term debt | 6,305 | 9,399 |
| Long-term debt | 17,056 | 14,315 |

b. Outstanding balances from/to related parties

| In million pesos | Receivables from Related Parties | | Payables to Related Parties | |
|--|----------------------------------|---------------|-----------------------------|---------------|
| | June 2020 | December 2019 | June 2020 | December 2019 |
| Ayala Corp. & Other Related Parties | | | | |
| Ayala Corporation | P53 | P144 | P238 | P287 |
| Globe Telecom, Inc. | 163 | 146 | 7 | 6 |
| Bank of the Philippine Islands | 169 | 176 | 45 | 60 |
| Columbus | - | - | 267 | 267 |
| Others | 418 | 556 | 60 | 169 |
| | P803 | P1,022 | P617 | P789 |
| ALI – Associates | | | | |
| AKL Properties | P- | P- | P- | P- |
| ALI ETON Property Development Corp. | 3,101 | 3,267 | 4 | 4 |
| Alveo-Federal Land Communities, Inc. | 171 | 155 | - | - |
| Berkshires Holdings, Inc. | 62 | - | - | - |
| Bonifacio Land Corp. | 56 | 1 | 212 | 213 |
| Cebu District Property Enterprise, Inc. | 606 | 136 | - | - |
| Emerging City Holdings | 142 | - | - | - |
| Esta Galleria, Inc. | 3 | - | - | - |
| Fort Bonifacio Development Corp. | 1,039 | 1,515 | - | 2 |
| Lagoon Development Corp. | 3 | 10 | - | 26 |
| Ortigas & Co. Ltd. Partnership | - | - | - | - |
| Tianjin Eco City Ayala | 24 | 24 | - | - |
| | P5,207 | P5,108 | P216 | P245 |
| Total | P6,010 | P6,130 | P833 | P1,034 |

c. Revenues and expenses from/to related parties

| In million pesos | Revenues from Related Parties | | Expenses to Related Parties | |
|--|-------------------------------|---------------|-----------------------------|-------------|
| | June 2020 | June 2019 | June 2020 | June 2019 |
| Ayala Corp. & Other Related Parties | | | | |
| Ayala Corporation | ₱1 | ₱2 | ₱7 | ₱2 |
| Ayala Group Counselors Corp. | - | - | 68 | 84 |
| Ayala Aviation | - | - | - | 3 |
| Azalea Technology Investments, Inc. | 17 | - | 2 | 0 |
| Bank of the Philippine Islands | 183 | 201 | 262 | 20 |
| BPI Capital Corp. | - | - | - | 4 |
| BPI Family Savings Bank | - | - | - | 125 |
| BPI MS Insurance Corp. | - | - | 162 | - |
| G-Exchange, Inc. | - | - | 34 | 17 |
| Globe Telecom, Inc. | 46 | 91 | 41 | 25 |
| HCX Technology Partners, Inc. | - | - | 15 | 18 |
| Innove Communications | 4 | 4 | 25 | 35 |
| ISUZU Automotive Dealership, Inc. | - | - | 1 | 3 |
| Laguna AAA Waterworks Corp. | 1 | 1 | 1 | 5 |
| Manila Water Company, Inc. | 1 | 15 | 109 | 193 |
| Manila Water Philippine Ventures, Inc. | 71 | 91 | 60 | 46 |
| Manila Water Total Solutions, Inc. | - | - | 2 | 3 |
| Michigan Holdings, Inc. | 1 | - | - | - |
| | ₱325 | ₱405 | ₱789 | ₱583 |
| ALI - Associates | | | | |
| ALI ETON Property Development Corp. | ₱147 | ₱1,037 | ₱4 | ₱- |
| Alveo-Federal Land Communities, Inc. | 67 | 113 | 11 | 15 |
| Emerging City Holdings, Inc. | 123 | - | - | - |
| Cebu District Property Enterprise, Inc. | 8 | 26 | 1 | 1 |
| Fort Bonifacio Development Corp. | 326 | 812 | 90 | 112 |
| Lagoon Development Corp. | 11 | 10 | - | 1 |
| | ₱682 | ₱1,998 | ₱106 | ₱129 |
| Total | ₱1,007 | ₱2,403 | ₱895 | ₱712 |

19. Financial Risk Management Objectives and Policies

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

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

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

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

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

There were no changes in the Group's financial risk management objectives and policies as of June 30, 2020.

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.

Risks related to COVID-19

During the preparation of this report, the Philippines is experiencing the COVID-19 global pandemic. While this is not part of the 10 key risks identified, Ayala Land has acknowledged this as a prominent risk which will affect its business in 2020 with possible spillover effects to 2021. The Company, as early as January 2020, has monitored the situation in Wuhan, China and flagged the virus as a potential emerging risk. With the escalation of the COVID-19 pandemic, the Company mobilized the business units to revisit their respective business continuity plans (BCP) to mitigate the risk impact to operations. Ayala Land observes national and local government advisories and directives as well as the best practices conveyed by the World Health Organization (WHO) and the Philippine Department of Health (DOH). The Company strictly follows the guidelines set by the national and local government agencies to support its endeavor to stem the spread of the COVID-19 virus.

Pandemic events usually have a long gestation and pose a greater risk of exposing personnel and negatively impacting business operations. Each business unit reviewed loss scenarios under their BCPs such as:

1. Loss of premises or day-to-day workplace;
2. Loss of critical people; and
3. Loss of critical third-party service providers for an extended period of time

Learnings from this pandemic will be used to improve BCPs moving forward.

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 June 30, 2020 and December 31, 2019. The methods and assumptions used by the Group in 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 2.88% to 4.92% as of June 30, 2020 and 6.25% to 13.50% as of December 31, 2019.

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 0.66% to 5.25% and 3.18% to 7.02% as of June 30, 2020 and December 31, 2019 respectively. The fair value of noncurrent unquoted debt instruments with floating rates as estimated using the discounted cash flow- last pricing method.

20. Fair Value Hierarchy

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

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

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

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

The company categorizes trade receivable, investment in bonds classified as loans and receivables, receivables from employees, long term debt and deposits and other noncurrent 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 June 30, 2020 and December 31, 2019.

| (in millions) | June 30, 2020 | | December 31, 2019 | |
|---|-----------------|-----------------|-------------------|-----------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial Asset at FVPL | ₱477 | ₱477 | ₱485 | ₱485 |
| Financial Asset at FVOCI | | | | |
| Unquoted equity securities | 152 | 152 | 566 | 566 |
| Quoted equity securities | 1,423 | 1,423 | 963 | 963 |
| Total | ₱2,052 | ₱2,052 | ₱2,014 | ₱2,014 |
| At amortized cost | | | | |
| Trade residential and office development | ₱123,378 | ₱123,378 | ₱116,574 | ₱116,574 |
| Receivables from employees | 877 | 877 | 901 | 901 |
| Total | ₱124,255 | ₱124,255 | ₱117,475 | ₱117,475 |
| Other Financial Liabilities | | | | |
| Long-term debt | ₱186,546 | ₱186,546 | ₱193,064 | ₱196,619 |
| Deposits and other noncurrent liabilities | 53,208 | 53,208 | 42,282 | 36,226 |
| Total | ₱239,754 | ₱239,754 | ₱235,346 | ₱232,845 |

The following table provides the fair value hierarchy of the Group's financial assets which are measured at fair value as of June 30, 2020 and December 31, 2019:

| (in millions) | | Date of valuation | Total | Quoted prices in Active markets (Level 1) | Significant observable inputs (Level 2) | Significant observable inputs (Level 3) |
|--|--------------|-------------------|---------------|---|---|---|
| June 30, 2020 | | | | | | |
| Financial assets at fair value through profit and loss | | | | | | |
| Investment in Unit Investment Trust Fund | Jun 30, 2020 | ₱121 | ₱- | ₱121 | ₱- | |
| Investment in Arch Capital Fund | Jun 30, 2020 | 355 | - | - | 355 | |
| | | ₱477 | ₱- | ₱121 | ₱355 | |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Quoted | Jun 30, 2020 | ₱1,423 | ₱1,423 | ₱- | ₱- | |
| Unquoted | Jun 30, 2020 | 152 | - | - | 152 | |
| | | 1,575 | 1,423 | - | 152 | |
| Total | | ₱2,052 | ₱1,423 | ₱121 | ₱507 | |

| (in millions) | | Date of valuation | Total | Quoted prices in Active markets (Level 1) | Significant observable inputs (Level 2) | Significant observable inputs (Level 3) |
|--|--------------|-------------------|-------------|---|---|---|
| December 31, 2019 | | | | | | |
| Financial assets at fair value through profit and loss | | | | | | |
| Investment in Unit Investment Trust Fund | Dec 31, 2019 | ₱96 | ₱- | ₱96 | ₱- | |
| Investment in Arch Capital Fund | Dec 31, 2019 | 389 | - | - | 389 | |
| | | ₱485 | ₱- | ₱96 | ₱389 | |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Quoted | Dec 31, 2019 | ₱963 | ₱963 | ₱- | ₱- | |
| Unquoted | Dec 31, 2019 | 566 | - | - | 566 | |
| | | 1,529 | 974 | - | 566 | |
| Total | | ₱2,014 | ₱963 | ₱96 | ₱955 | |

A reconciliation of the beginning and closing balances of Level 3 financial assets at fair value through other comprehensive income are summarized below.

| (in millions) | June 2020 | December 2019 |
|----------------------------|-----------|---------------|
| At the beginning of period | P566 | P582 |
| Disposals/redemptions | (414) | (16) |
| At end of the period | P152 | P566 |

21. Condensed Consolidated Statement of Cash Flows

Disclosed below is the roll forward of liabilities under financing activities:

| (in millions) | 2019 | Cash Flows | Acquisition | Non-Cash Changes | FOREX Movement | 2020 |
|--|-----------------|----------------|-------------|---------------------|-------------------|-----------------|
| Long-term debt-net of current portion | P175,813 | (1,773) | - | - | - | 174,040 |
| Current Portion of Long-term debt | 17,251 | (4,746) | - | - | - | 12,505 |
| Short-term debt | 18,033 | 23,422 | - | - | - | 41,455 |
| Dividends Payable | 632 | (4,291) | - | 4,007 | - | 348 |
| Deposits & Other noncurrent liabilities | 44,004 | 10,152 | - | (948) | - | 53,208 |
| Total liabilities from financing activities | P251,628 | 22,764, | - | - | - | P281,556 |

22. Segment information

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

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

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

| | Property Development | International Business | Shopping Centers | Offices | Hotels and Resorts | Construction | Property Management and Others | Corporate | Intersegment Adjustment | Consolidated |
|--|----------------------|------------------------|------------------|----------------|--------------------|---------------|--------------------------------|---------------|-------------------------|----------------|
| YTD June 2020 | | | | | | | | | | |
| (in million pesos) | | | | | | | | | | |
| Revenues | | | | | | | | | | |
| Sales to external customers | 19,360 | 1,283 | 5,843 | 4,935 | 2,085 | 883 | 1,751 | - | - | 36,140 |
| Interest income from real estate sales | 4,228 | - | - | - | - | - | - | - | - | 4,228 |
| Intersegment sales | - | - | - | - | - | - | - | - | - | - |
| Equity in net earnings of investees | 285 | - | 3 | - | - | - | - | 58 | - | 346 |
| Total Revenues | 23,873 | 1,283 | 5,846 | 4,935 | 2,085 | 883 | 1,751 | 58 | - | 40,714 |
| Operating Expenses | 14,750 | 1,015 | 4,569 | 1,744 | 2,245 | (234) | 1,785 | 73 | - | 25,948 |
| Operating Profit | 9,123 | 268 | 1,277 | 3,191 | (160) | 1,117 | (34) | (15) | - | 14,766 |
| Interest and investment income | - | - | - | - | - | - | - | - | - | 220 |
| Interest expense | - | - | - | - | - | - | - | - | - | (6,657) |
| Other income | - | - | - | - | - | - | - | - | - | 265 |
| Other charges | - | - | - | - | - | - | - | - | - | (808) |
| Provision for income tax | - | - | - | - | - | - | - | - | - | (2,120) |
| Net income | - | - | - | - | - | - | - | - | - | 5,486 |
| Net income attributable to: | | | | | | | | | | |
| Equity holders of Ayala Land, Inc. | - | - | - | - | - | - | - | - | - | 4,518 |
| Minority interests | - | - | - | - | - | - | - | - | - | 968 |
| | | | | | | | | | | 5,486 |
| Other information | | | | | | | | | | |
| Segment assets | 523,487 | 34,391 | 207,006 | 113,649 | 83,728 | 48,475 | 6,432 | 64,457 | (407,042) | 674,583 |
| Investment in associates and jointly controlled entities | 24,582 | - | 38 | - | - | 55 | 192 | 34 | - | 24,902 |
| Deferred tax assets | 1,805 | - | 948 | 188 | 354 | 89 | 53 | 908 | 7,064 | 11,410 |
| Total assets | 549,874 | 34,391 | 207,994 | 113,837 | 84,082 | 48,619 | 6,677 | 65,399 | (389,978) | 710,695 |
| Segment liabilities | 220,732 | 11,456 | 138,664 | 63,025 | 69,971 | 38,678 | 2,761 | 57,544 | (141,917) | 460,915 |
| Deferred tax liabilities | 2,326 | - | 175 | 93 | 7 | - | - | 19 | 4,354 | 6,975 |
| Total liabilities | 223,058 | 11,456 | 138,840 | 63,119 | 69,978 | 38,678 | 2,761 | 57,563 | (137,563) | 467,890 |
| Segment additions to: | | | | | | | | | | |
| Property & Equipment | 111 | 261 | 786 | 3 | 94 | 621 | 58 | 1 | - | 1,845 |
| Investment properties | 2,956 | - | 3,107 | 134 | 36 | 29 | - | - | - | 6,262 |
| Depreciation and amortization | 309 | - | 1,828 | 633 | 617 | 515 | 90 | 638 | - | 4,830 |

| | Property Development | International Business | Shopping Centers | Offices | Hotels and Resorts | Construction | Property Management and Others | Corporate | Intersegment Adjustment | Consolidated |
|--|----------------------|------------------------|------------------|---------------|--------------------|---------------|--------------------------------|---------------|-------------------------|----------------|
| YTD June 2019 | | | | | | | | | | |
| (in million pesos) | | | | | | | | | | |
| Revenues | | | | | | | | | | |
| Sales to external customers | 52,997 | 2,607 | 10,336 | 4,629 | 3,665 | 1,545 | 2,818 | - | - | 78,587 |
| Interest income from real estate sales | 3,306 | - | - | - | - | - | - | - | - | 3,306 |
| Intersegment sales | - | - | - | - | - | - | - | - | - | - |
| Equity in net earnings of investees | 346 | - | 7 | - | - | - | - | 214 | - | 567 |
| Total Revenues | 56,649 | 2,607 | 10,343 | 4,629 | 3,665 | 1,545 | 2,818 | 214 | - | 82,470 |
| Operating Expenses | 39,684 | 2,445 | 4,094 | 1,435 | 2,790 | 39 | 2,760 | 93 | - | 53,340 |
| Operating Profit | 16,965 | 162 | 6,249 | 3,194 | 875 | 1,506 | 58 | 121 | - | 29,130 |
| Interest and investment income | - | - | - | - | - | - | - | - | - | 454 |
| Interest expense | - | - | - | - | - | - | - | - | - | (5,503) |
| Other income | - | - | - | - | - | - | - | - | - | 294 |
| Other charges | - | - | - | - | - | - | - | - | - | (544) |
| Provision for income tax | - | - | - | - | - | - | - | - | - | (6,316) |
| Net income | - | - | - | - | - | - | - | - | - | 17,515 |
| Net income attributable to: | | | | | | | | | | |
| Equity holders of Ayala Land, Inc. | - | - | - | - | - | - | - | - | - | 15,157 |
| Minority interests | - | - | - | - | - | - | - | - | - | 2,358 |
| | | | | | | | | | | 17,515 |
| Other information | | | | | | | | | | |
| Segment assets | 487,796 | 22,066 | 177,820 | 99,448 | 67,951 | 52,420 | 6,719 | 93,059 | (348,599) | 658,620 |
| Investment in associates and jointly controlled entities | 23,103 | - | 45 | - | - | 56 | 190 | 136 | - | 23,530 |
| Deferred tax assets | 3,165 | - | 344 | 86 | 377 | 64 | 31 | 2,831 | 6,450 | 13,348 |
| Total assets | 514,064 | 22,066 | 178,209 | 99,534 | 68,328 | 52,540 | 6,940 | 96,026 | (342,149) | 695,498 |
| Segment liabilities | 216,700 | 10,938 | 115,450 | 49,518 | 52,354 | 43,498 | 3,200 | 68,113 | (103,133) | 457,337 |
| Deferred tax liabilities | 1,810 | - | 295 | 104 | - | 2 | 8 | 19 | 3,903 | 6,132 |
| Total liabilities | 218,510 | 10,938 | 116,736 | 49,622 | 52,354 | 43,500 | 3,208 | 68,132 | (99,230) | 463,469 |
| Segment additions to: | | | | | | | | | | |
| Property & Equipment | 262 | - | 434 | 12 | 1,643 | 1,172 | 83 | 40 | - | 3,646 |
| Investment properties | 4,975 | 148 | 12,927 | 694 | 510 | - | - | - | - | 19,254 |
| Depreciation and amortization | 180 | 25 | 1,357 | 720 | 448 | 728 | 82 | 584 | - | 4,135 |

On March 13, 2020, the Office of the President of the Philippines issued a memorandum imposing stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020 to contain the spread of COVID-19. Subsequently, Presidential Proclamation No. 929 was issued on March 16, 2020, declaring a State of Calamity throughout the country for a period of six (6) months and at the same time, imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, unless earlier lifted. The ECQ was extended twice, initially up to April 30, 2020 and then until May 15, 2020 for "high risk" areas such as NCR, Regions 3 and 4 in Luzon and Region 7 in the Visayas until May 15, 2020.

On May 12, 2020, the Philippine government announced that it will ease quarantine measures in most areas of the country, but extended lockdowns in Metro Manila and select provinces until May 31, 2020, which the government termed as "modified" enhanced community quarantine (MECQ). The MECQ is

the most stringent of a new three-tiered quarantine system wherein areas will be placed under general community quarantine (GCQ), while others will be placed under a lighter “modified” general community quarantine (MGCQ). In June 1, 2020, Metro Manila was placed under GCQ status.

These measures inevitably resulted in disruptions to economic activities. Up to this time, the impact to business activities continue to evolve.

The Group considers the events surrounding the pandemic as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019.

The lower 2020 financial performance is mainly attributed to the COVID-19 pandemic, the imposition of the community quarantine and even for periods thereafter. As of June 30, 2020, revenues dropped to P41.2 billion, 50% lower versus same period last year due to the impact of COVID 19 on the Group’s business operations.

- Property development revenues ended 63% lower mainly due to lower bookings as a result of limited selling activities and the suspension of construction activities of residential projects.
- Shopping center revenues dropped 43% due to mall closures during the enhanced community quarantine, rent concessions extended to non-operating tenants and lower foot traffic upon reopening.
- Hotels and resorts revenues dipped 43% as a result of the temporary closure of resorts, travel bans, and limited operation of hotels in accordance with quarantine limitations.
- Our International business through MCT Bhd in Malaysia recognized 51% lower revenues due to lower sales and halted construction activities following the Malaysian government’s movement control order (MCO) in response to COVID-19.
- Property Management and Others Services’ revenues were 38% lower due to restricted construction activities coupled with limited operations and AirSWIFT flight cancellations.

We continue to revise our cash flow projections to take into account the slowdown in residential sales, the rent concessions we have provided to mall tenants, as well as the significantly lower occupancy in our hotels and resorts. Moreover, we continue to manage our cost of debt and stretch our maturities and mix to strengthen our funding capability.

The Group continues to monitor the situation.

23. Long-term Commitments and Contingencies

Contingencies

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

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

24. Events after the Reporting Date

AREIT, Inc.

On July 10, 2020, the Securities and Exchange Commission (SEC) issued its pre-effective approval of AREIT Inc.'s (AREIT) registration for a Real Estate Investment Trust (REIT) Initial Public Offering (IPO) with an offer of up to P15 billion. The base offer is up to 456,883,000 common shares at an offer price of up to P30.05 per share, with a stabilization option of up to 45,688,700 common shares (collectively, the "Offer Shares"). In total, this represents up to 49% of AREIT's capital stock.

On July 15, 2020, the Philippine Stock Exchange (PSE) approved AREIT, Inc.'s P15-billion initial public offering, enabling the company to issue and list common shares through a REIT Initial Public Offering ("IPO") of up to P15 billion, following the recent pre-effective approval issued by the Securities and Exchange Commission ("SEC") on 10 July 2020. With clearances from the SEC and the PSE secured, AREIT conducted the following key activities:

- Pricing Date July 22, 2020
- Start of Offer Period July 27, 2020, 9:00 a.m., Manila time
- End of Offer Period August 3, 2020, 12:00 noon, Manila time

AREIT is targeting to list on the PSE on August 13, 2020.

On July 22, 2020, AREIT set the final offer price for its initial public offering

| | |
|----------------|------------------|
| Offer Price | Php 27 per share |
| Gross Proceeds | c.Php12bn |

The Php12,335,841,000 billion IPO will launch the first real estate investment trust (REIT) company in the country following the issuance of the REIT Act in 2009. AREIT intends to use the net proceeds from the primary offer to fund the intended acquisition of Teleperformance Cebu from ALO Prime Realty Corporation, a wholly-owned subsidiary of AREIT's sponsor, Ayala Land Inc. ("ALI"), or an alternative property from ALI, or any of its subsidiaries or affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and AREIT's financial and strategic investment criteria.

The net proceeds from the secondary offer shall be reinvested by ALI, as sponsor to AREIT, in real estate projects located in the Philippines within a period of one (1) year from receipt thereof, consistent with applicable rules and regulations.

On August 3, 2020, AREIT, the first Philippine REIT, officially completed the offer period for its initial public offering of up to 456,883,000 common shares (the "**Firm Offer**"), consisting of 47,864,000 common shares to be issued by AREIT on a primary basis, and 409,019,000 existing common shares offered by the Sponsor, Ayala Land, Inc ("ALI"), pursuant to a secondary offer, with an over-allotment option of up to 45,688,700 shares, at a price of PhP 27.00 per share.

Of the Firm Offer, 319,818,100 shares (or approximately 70%) were offered to qualified institutional buyers ("**QIBs**") (i) based in the Philippines, and (ii) located outside the United States in accordance with Regulation S. Meanwhile, 137,064,900 shares (or approximately 30% of the Offer) were offered to all REIT-eligible trading participants ("**TPs**") of the PSE and to local small investors ("**LSIs**"). The total offer made available to TPs and LSIs were 91,376,600 and 45,688,300 shares, or approximately 20% and 10% of the Firm Offer, respectively.

The landmark deal and the introduction of the new asset class was well-received by the market, with the deal more than fully covered with broad distribution across retail investors as well as international and domestic institutional investors. The Firm Offer was 2x oversubscribed. High-quality domestic and international institutional investors locked-in demand for the Philippines' first REIT notwithstanding the

continuing COVID-19 global pandemic. In addition, the TP tranche was also oversubscribed with the participation of 96 eligible Trading Participants. More than 3,300 investors participated in the Offer via the LSI tranche.

With the completion of the offer period, AREIT is targeting to list on August 13, 2020.

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

Review of 1H 2020 operations vs 1H 2019

Ayala Land recorded consolidated revenues of P41.20 billion and net income of P4.52 billion, a 50% and 70% decline, from P83.22 billion and P15.16 billion, respectively, due to the impact of COVID-19 on business operations.

Real Estate revenues, composed of Property Development, Commercial Leasing, and Services registered at P36.14 billion, a 54% decline from P78.60 billion due to lower project bookings and suspended construction activity, combined with restricted mall and hotel operations and closure of resorts during the quarantine period.

Capital expenditures amounted to P34.84 billion, 50% of the revised full-year budget of P69.82 billion.

Business Segments

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

Property Development. This includes the sale of residential lots and units, office spaces, and commercial and industrial lots, and operations of MCT Bhd, Ayala Land's consolidated subsidiary based in Malaysia. Revenues from Property Development amounted to P20.64 billion, a 63% drop from P55.60 billion, mainly due to lower project bookings and suspended construction activity.

Residential. Revenues from the sale of residential lots and units and MCT Bhd's operations declined 60% to P16.55 billion from P41.46 billion.

AyalaLand Premier (ALP) posted revenues of P2.80 billion, 76% less than P11.55 billion, due to lower incremental completion (POC) of West Gallery Place, Park Central South Tower and Garden Towers 2, and lower bookings in Alcoves.

ALVEO recorded revenues of P3.13 billion, a decline of 68% from P9.69 billion owing to lower incremental POC of High Park Tower 2, Travertine and the Residences at Evo City Phase 1, and lower bookings of Orea Place Tower 1.

Avida meanwhile registered revenues of P6.81 billion, a 49% decrease from P13.43 billion, attributed to lower bookings of Avida Northdale Settings Alviera, Avida Towers Intima T1 and Avida Towers Vireo T1, and lower incremental POC of The Montane, Avida Towers Sola Tower 1 and Avida Towers Turf Tower 1.

Amaia reached P2.25 billion in revenues, a 39% reduction from P3.68 billion relating to the lower bookings of Skies projects Cubao Tower 2, Shaw Tower 1 and Avenida Tower 1, and Steps projects Sucat and Alabang. **BellaVita** meanwhile recognized revenues of P271.47 million, 47% less than P510.87 million because of lower bookings of projects in Lian Batangas, Alaminos and General Trias.

The average gross profit (GP) margin of horizontal residential projects improved to 46% from 43%, lifted by higher lot prices from ALP's Ayala Greenfield Estates, ALVEO's The Residences at Evo City Phase 2 and Ardia at Vermosa Phase 3, and Avida's Southfield Settings Nuvali. Meanwhile, the average GP margin for vertical projects improved to 42% from 38% due to higher unit prices of Avida's Sola Tower 2, One Antonio and Asten Tower 3, ALVEO's Solinea Tower 4 and Amaia Steps Delicia.

MCT Bhd recorded a contribution of P1.28 billion, a 51% decline from P2.61 billion, due to lower sales from its Market Homes and Casawood projects and suspended construction activities following the Malaysian government's movement control order (MCO) in response to COVID-19.

Office for Sale. Revenues from the sale of office units dropped by 88% to P1.14 billion from P9.84 billion, attributed to the lower incremental completion of Park Triangle Corporate Plaza and Alveo Financial Tower, and lower bookings from Highstreet South Corporate Plaza 2 and Alveo Park Triangle Tower. The average GP margin ended lower at 40% from 44% owing to lower bookings as high margin projects such as HighStreet South Corp Plaza 2, Park Triangle Corp Plaza and Alveo Park Triangle Tower are almost sold out.

Commercial and Industrial Lots. Revenues from the sale of commercial and industrial decelerated by 31% to P2.95 billion from P4.30 billion as fewer lots were sold in Vermosa and Evo City. The average GP margin substantially increased to 69% from 52%, due to higher selling prices of commercial lots sold in Arca South and Nuvali.

Sales Reservations. Due to limited selling activity during the quarantine, sales reservations for the first half of the year amounted to P38.30 billion, 47% lower from last year's levels. Local and overseas Filipinos accounted for 86% of total sales with the balance of 14% from other nationalities. Sales from local Filipinos which comprise 68% amounted to P26.2 billion, 48% lower than the same period last year while sales from overseas Filipinos which represented 18% of total, amounted to P6.7 billion, a decline 31% year-on-year. Meanwhile, sales to other nationalities amounted to P5.3 billion, a 57% drop, primarily as sales to mainland Chinese buyers, which comprise 38% at P2.0 billion, decreased by 63%.

Project Launches. Consistent with the company's strategy to maintain financial sustainability during this period, no new residential projects were launched in the second quarter of 2020. In the first quarter of 2020, Ayala Land was able to launch four (4) projects with a total value of P4.98 billion. These are Avida Greendale Settings at Alviera in Pampanga, Amaia Steps The Junction Place Aria in Quezon City, Amaia Scapes Cabuyao Series 3 area 2, and Bellavita Alaminos 2, both in Laguna.

Commercial Leasing. This includes the operation of Shopping Centers, Office Buildings and Hotels and Resorts. Total revenues from commercial leasing declined 31% to P12.86 billion from P18.63 billion.

Shopping Centers. Revenues from shopping centers dropped 43% to P5.84 billion from P10.34 billion on the account of closure of all malls during the enhanced community quarantine and limited operations with low foot traffic upon reopening. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) margin ended 21 percentage points lower to 45% from 66% due to limited operations and foot traffic during the quarantine. The average occupancy rate for all malls is 86% and 92% for stable malls. Total Malls GLA stands at 2.12 million square meters.

Offices. Revenues from office leasing increased 7% to P4.94 billion from P4.63 billion given the sustained operations of BPO and HQ buildings. Office leasing EBITDA margin registered at 94% from 91% last year. The average occupancy rate for all offices is 95% and 96% for stable offices. Total office leasing GLA is at 1.17 million square meters.

Hotels and Resorts. Revenues from hotels and resorts ended 43% lower to P2.09 billion from P3.67 billion with the closure of resorts and lower average occupancy of hotels due to travel bans. As a result, the overall EBITDA margin of hotels and resorts declined 19 percentage points to 14% from 33%. The average occupancy for all hotels was 44% and 49% for stable hotels. Meanwhile, the average occupancy for all resorts stood at 26% and 25% for stable resorts. Occupancy declined at the onset of 2020 given the imposition of travel bans due to COVID-19 and further dropped since the imposition of the quarantine. There were 71 new rooms opened at Seda Central Bloc Cebu in the month of April, however, 20 rooms at El Nido Cove were closed for operations starting in the month of January. With these recent changes, the hotels and resorts segment ended the first half of 2020 with a total of 4,030 rooms.

The hotels and resorts business manages 660 hotel rooms in its international brand segment—312 from Fairmont Hotel and Raffles Residences and 348 from Holiday Inn & Suites, both of which are in the Ayala Center, Makati CBD.

There are 11 Seda Hotels, operating 2,712 rooms—Atria, Iloilo (152 rooms); BGC, Taguig (521); Centrio, Cagayan de Oro (150); Abreeza, Davao (186); Nuvali, Santa Rosa, Laguna (150); Vertis North, Quezon City (438); Capitol Central, Bacolod (154); Lio, Palawan (153); Ayala Center Cebu (301); Seda Residences Ayala North Exchange (293) and Seda Central Bloc (214); and Circuit Corporate Residences (255).

El Nido Resorts operates 193 rooms from its four island resorts—Pangulasian, Lagen, Miniloc, and Apulit. The Lio Tourism Estate currently has 132 rooms under its Bed and Breakfast (B&B) and Dormitel offerings, while the Sicogon Tourism Estate in Iloilo currently has 78 B&B rooms.

Services. This is composed mainly of the Company's construction business through Makati Development Corporation (MDC), property management, through Ayala Property Management Corporation (APMC), and other companies engaged in power services such as Direct Power Services, Inc. (DPSI), Ecozone Power Management, Inc. (EPMI), and Philippine Integrated Energy Solutions, Inc. (PhilEnergy) and airline for the hotels and resorts business, AirSWIFT. Total revenues amounted to P2.6 billion, 40% lower than P4.36 billion due to restricted construction activity, coupled with limited operations and AirSWIFT flight cancellations.

Construction. Net construction revenues totaled P882.99 million, 43% lower than P1,544.41 million.

Property Management and Others. APMC, power services companies and AirSWIFT registered revenues of P1.75 billion, 38% less than P2.82 billion.

Blended EBITDA margins of the Services segment stood at 9%.

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

Equity in net earnings of associates and JVs totaled P346.36 million, a 39% dip from P566.57 million as Ortigas Land and FBDC companies posted lower revenues with a combined value of P350.7 million, 38% lower from P568.42 million.

Interest income from real estate sales amounted to P4.23 billion, 28% higher than P3.31 billion driven by higher sales of trade receivables. Meanwhile, Interest and investment income declined 52% to P220.33 million owing to lower balances and lower yields.

Other income (composed mainly of marketing and management fees from joint ventures, among others) amounted to P264.74 million, 10% less than P294.00 million, largely as gains were booked from the sale of retail shop lots at MCT's SkyPark One City in 2019.

Expenses

Total expenses stood at P33.61 billion, 43% lower than P59.39 billion, on account of real estate expenses which decreased by 55% to P22.09 billion from P48.91 billion as a result of limited operations.

General and administrative expenses totaled P3.87 billion, a 13% decrease from P4.43 billion in overhead costs. With a lower topline, this resulted to a GAE ratio of 9.4% and an EBIT margin of 29.4%.

Interest expense, financing and other charges, which includes interest expense related to PFRS 16 (Leases) totaled P7.66 billion, a 27% increase from P6.05 billion due to higher interest expense attributed to a higher loan balance, discounting cost related to the AR sale program, and higher bank charges related

to loan pre-payment. The average cost of debt registered at 4.9%, lower than 5.2% at the end of 2019. Of the total debt, 78% is locked-in with fixed rates, while 82% is contracted on a long-term basis.

Capital Expenditures

Capital expenditures reached P34.84 billion in the first half of 2020, mainly for residential developments, followed by commercial leasing assets. 49% was spent on residential projects, 21% on commercial projects, 13% for land acquisition, 14% for the development of estates. The full year capex estimate was reduced to P69.82 billion from the original estimate of P110 billion.

Financial Condition

The Company's balance sheet remains healthy to support the financial and operational requirements during this period.

Cash and cash equivalents, including short-term investments and UITF investments classified as FVPL, stood at P17.44 billion resulting in a current ratio of 1.42:1.

Total borrowings registered at P228.00 billion which translated to a debt-to-equity ratio of 0.94:1 and a net debt-to-equity ratio of 0.87:1.

Return on equity was at 4.29% as of June 30, 2020.

| | <i>End-June 2020</i> | <i>End-December 2019</i> |
|---|----------------------|--------------------------|
| Current ratio ¹ | 1.42:1 | 1.30:1 |
| Debt-to-equity ratio ² | 0.94:1 | 0.87:1 |
| Net debt-to-equity ratio ³ | 0.87:1 | 0.78:1 |
| Profitability Ratios: | | |
| Return on assets ⁴ | 1.53% | 5.43% |
| Return on equity ⁵ | 4.29% | 16.66% |
| Asset to Equity ratio ⁶ | 2.93:1 | 2.94:1 |
| Interest Rate Coverage Ratio ⁷ | 2.74 | 6.27 |

1 Current assets / current liabilities

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

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

4 Annualized 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

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 1H 2020.

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

Income Statement items – June 2020 versus June 2019

Real estate and hotel revenues lower by 54% as a result of lower sales bookings and lower construction completion from residential projects, malls limited operations during quarantine and lower average hotel occupancy due to quarantine and travel bans.

Equity in net earnings decreased by 39% due to lower NIAT contributions from Ortigas Land Corporation (OLC) and FBDC.

Interest income from real estate sales grew by 28% as a result of higher sale of trade receivables in the same period.

Interest and investment income decreased by 52% due to lower yield from short-term investments.

Other Income declined by 10% due to one-off gain on sale of Property, Plant and Equipment in 2019 in the same period.

Real estate costs decreased by 55% as a result of lower sales bookings and lower construction completion from residential projects, malls limited operations during quarantine and lower average hotel occupancy due to quarantine and travel bans.

General administrative expenses lower by 13% due to lower overhead cost.

Interest and other financing charges and other charges grew by 27% attributable to higher loan balances, discounting cost from sale of trade receivables, and cost of prepayment of loan payable.

Provision for income tax lower by 66% as a result of lower taxable income.

Balance Sheet items – June 2020 versus December 2019

Cash and cash equivalents decreased by 20% due to lower collection from customers due to COVID 19, CAPEX, dividend pay-out, and partial offset of loan financing.

Short-term investments down by 12% as a result of maturities of investments and funding of operational requirements.

Current accounts and notes receivable higher by 10% caused by incremental percentage of completion from prior year bookings, partially offset by lower collection from customers.

Other current assets up by 9% driven by creditable withholding tax from collection of trade receivables and deferred commission expense resulting from property sales during the first six months.

Non-current accounts and notes receivable decreased by 16% mainly from sale of trade receivables from property sales.

Other noncurrent assets lower by 11% mainly from recoupment of advances to various progress billings from contractors and suppliers, and reclassification of advances to inventory account.

Short-term debt grew by 130% as a result of additional loan during the first half of the year.

Account and other payables decreased by 12% as a result of payments to contractors and suppliers.

Income tax payable down by 42% due to lower taxable income.

Current portion of lease liabilities grew by 13% coming from accretion of lease liabilities, partially offset by payments to lessors.

Current portion of long term debt down by 28% as a result of repayments of borrowings.

Deposit and other current liabilities decreased by 40% due to recognition of revenues from reservation sales, incremental project completion from prior year sales, and reclassification of current portion of customer deposits, due to excess of collection over percentage of completion, to noncurrent liability.

Pension liabilities up by 19% derived from provision for the 6-month period.

Deferred tax liabilities higher by 15% due to lower taxable income.

Deposit and other noncurrent liabilities grew by 21% driven by deferred credits from property sales and recognition of liability from excess of collection over percentage of completion.

Remeasurement loss on defined benefit plans increased by 93% due to actuarial loss from change in liability assumptions.

Fair value reserve of financial assets at FVOCI increase in unrealized loss by 50% as a result of mark-to-market valuation of financial instrument in MCT Berhad.

Cumulative translation adjustments decreased by 290% due to impact of lower USD/Peso forex on foreign denominated investments (i.e. MCT).

Treasury Stock higher by 14% as a result of buyback of shares.

PART II - OTHER INFORMATION

Item 3. Developments as of June 30, 2020

- | | | |
|--|--|---------------------------|
| A. New project or investments in another line of business or corporation | None | |
| B. Composition of Board of Directors (as of June 30, 2020) | Fernando Zobel de Ayala | Chairman |
| | Jaime Augusto Zobel de Ayala | Vice Chairman |
| | Bernard Vincent O. Dy | President & CEO |
| | Antonino T. Aquino | Non-Executive Director |
| | Arturo G. Corpuz | Non-Executive Director |
| | Rizalina G. Mantaring | Lead Independent Director |
| | Cesar V. Purisima | Independent Director |
| | Rex Ma. A. Mendoza | Independent Director |
| | Sherisa P. Nuesa | Independent Director |
| C. Performance of the corporation or result/progress of operations | Please see unaudited consolidated financial statements and management's discussion on results of operations. | |
| D. Declaration of dividends | <p><u>P0.268 cash dividend per outstanding common share</u> Declaration date: February 20, 2020 Record date: March 6, 2020 Payment date: March 20, 2020</p> <p><u>P0.00474786 cash dividend per outstanding preferred share</u> Declaration date: May 26, 2020 Record date: June 9, 2020 Payment date: June 25, 2020</p> | |
| E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements | Please refer to the discussion in the changes in group structure in 2020. | |
| F. Offering of rights, granting of Stock Options and corresponding plans therefore | 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 June 30, 2020, stock options outstanding* are as follows: | |
| | ESOP | None |
| | ESOWN | 107,869,016 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 1H 2020 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. |
|---|---|

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|---|------|
| 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 | <p><u>AREIT, Inc.</u></p> <p>On July 10, 2020, the Securities and Exchange Commission (SEC) issued its pre-effective approval of AREIT Inc.’s (AREIT) registration for a Real Estate Investment Trust (REIT) Initial Public Offering (IPO) with an offer of up to P15 billion. The base offer is up to 456,883,000 common shares at an offer price of up to P30.05 per share, with a stabilization option of up to 45,688,700 common shares (collectively, the “Offer Shares”). In total, this represents up to 49% of AREIT’s capital stock.</p> |
|--|--|

On July 15, 2020, the Philippine Stock Exchange (PSE) approved AREIT, Inc.’s P15-billion initial public offering, enabling the company to issue and list common shares through a REIT Initial Public Offering (“IPO”) of up to P15 billion, following the recent pre-effective approval issued by the Securities and Exchange Commission (“SEC”) on 10 July 2020. With clearances from the SEC and the PSE secured, AREIT conducted the following key activities:

- Pricing Date July 22, 2020
- Start of Offer Period July 27, 2020, 9:00 a.m.
- End of Offer Period August 3, 2020, 12:00 nn

AREIT is targeting to list on the PSE on August 13, 2020.

On July 22, 2020, AREIT Inc. (“AREIT”) set the final offer price for its initial public offering

| | |
|----------------|------------------|
| Offer Price | Php 27 per share |
| Gross Proceeds | Php12bn |

The Php12,335,841,000 billion IPO will launch the first real estate investment trust (REIT) company in the country following the issuance of the REIT Act in 2009. AREIT intends to use the net proceeds from the primary offer to fund the intended acquisition of Teleperformance Cebu from ALO Prime Realty Corporation, a wholly-owned subsidiary of AREIT’s sponsor, Ayala Land Inc. (“ALI”), or an alternative property from ALI, or any of its subsidiaries or affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and AREIT’s financial and strategic investment criteria.

The net proceeds from the secondary offer shall be reinvested by ALI, as sponsor to AREIT, in real estate projects located in the Philippines within a period of one (1) year from receipt thereof, consistent with applicable rules and regulations.

On August 3, 2020, AREIT, the first Philippine REIT, officially completed the offer period for its initial public offering of up to 456,883,000 common shares (the “Firm Offer”), consisting of 47,864,000 common shares to be issued by AREIT on a primary basis, and 409,019,000 existing common shares offered by the Sponsor, Ayala Land, Inc (“ALI”), pursuant to a secondary offer, with an over-allotment option of up to 45,688,700 shares, at a price of PhP 27.00 per share.

Of the Firm Offer, 319,818,100 shares (or approximately 70%) were offered to qualified institutional buyers (“QIBs”) (i) based in the Philippines, and (ii) located outside the United States in accordance with Regulation S. Meanwhile, 137,064,900 shares (or approximately 30% of the Offer) were offered to all REIT-eligible trading participants (“TPs”) of the PSE and to local small investors (“LSIs”). The total offer made available to TPs and LSIs were 91,376,600 and 45,688,300 shares, or approximately 20% and 10% of the Firm Offer, respectively.

The landmark deal and the introduction of the new asset class was well-received by the market, with the deal more than fully covered with broad distribution across retail investors as well as international and domestic institutional investors. The Firm Offer was 2x oversubscribed. High-quality domestic and international institutional investors locked-in demand for the Philippines’ first REIT notwithstanding the continuing COVID-19 global pandemic. In addition, the TP tranche was also oversubscribed with the participation of 96

eligible Trading Participants. More than 3,300 investors participated in the Offer via the LSI tranche.

With the completion of the offer period, AREIT is targeting to list on August 13, 2020.

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| 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 | <p><u>Results of the 2020 Annual Stockholders' Meeting and Organizational Board Meeting</u></p> <p>On April 22, 2020, during its Annual Stockholders' Meeting, stockholders approved the following matters:</p> <ol style="list-style-type: none">1. Minutes of the 2019 Annual Stockholders' Meeting2. 2019 Annual Report and the consolidated 2019 Audited Financial Statements3. Ratification of the acts and resolutions of the Board of Directors and Management during the preceding year4. Election of Directors5. Election of SGV & Co. as external auditor <p>At its Organizational Board Meeting held immediately after the ASM, the Board of Directors approved the following:</p> <ol style="list-style-type: none">1. Election of Chairpersons and Members of the Board Committees2. Designation of Ms. Rizalina G. Mantaring as Lead Independent Director3. Appointment of Ms. Mercedita S. Nollado and Mr. Delfin L. Lazaro as Independent Advisers to the Board <p><u>May 26, 2020 Board Meeting Approvals</u></p> <p>On May 26, 2020, The Board of Directors of Ayala Land, Inc. (ALI), at its regular meeting approved the following items:</p> <ol style="list-style-type: none">1. The declaration of cash dividends to all stockholders of the Company's unlisted voting preferred shares of 4.74786% per annum or P0.00474786 per share. The payment will be on June 25, 2020 to stockholders of said preferred shares on record as of June 9, 2020. |

2. The raising of up to P19 billion through the issuance of retail bonds and/or corporate notes for listing on the Philippine Dealing and Exchange Corporation, and/or bilateral term loans for the purpose of refinancing outstanding loans.

P10-billion 2-year fixed-rate bond listing

On June 26, 2020, Ayala Land Inc. (ALI) listed its P10-billion, 2-year fixed-rate bonds due 2022 with a coupon rate of 3.00% per annum on the Philippine Dealing and Exchange Corporation (PDEX), through its first virtually held listing ceremony on June 26. The bond was strongly received and was 1.75x oversubscribed, enabling Ayala Land to increase the issue size from P6 billion to a total of P10 billion. ALI is the first non-bank corporate to issue fixed rate bonds in the local market since the country was placed under community quarantine.

- | | |
|---|---|
| Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation | None |
| R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period | None |
| S. Material commitments for capital expenditures, general purpose and expected sources of funds | <p>For the year 2020, Ayala Land revised its initial consolidated budget for project and capital expenditures from P110 billion to P69.8 billion, taking into consideration the current operating environment. Of the total amount, P34.8 billion has been disbursed as of June 30, 2020.</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> |
| T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations | <p>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.</p> |
| U. Significant elements of income or loss that did not arise from continuing operations | None |

- V. Causes for any material change/s from period to period, in one, or more line items of the financial statements**
- Please see Notes to Financial Statements (Item 2: Management's Discussion on Results of Operations and Analysis).
- W. Seasonal aspects that had material effect on the financial condition or results of operations**
- ALI's leasing portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter of every year from shopping centers due to holiday spending.
- The Company's development operations are dependent on Market conditions and the timing of project launches depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.
- X. Disclosures not made under SEC Form 17-C**
- None.

Item 5. Performance Indicators

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

| | <i>End-June 2020</i> | <i>End-December 2019</i> |
|---|----------------------|--------------------------|
| Current ratio ¹ | 1.42:1 | 1.30:1 |
| Debt-to-equity ratio ² | 0.94:1 | 0.87:1 |
| Net debt-to-equity ratio ³ | 0.87:1 | 0.78:1 |
| Profitability Ratios: | | |
| Return on assets ⁴ | 1.53% | 5.43% |
| Return on equity ⁵ | 4.29% | 16.66% |
| Asset to Equity ratio ⁶ | 2.93:1 | 2.94:1 |
| Interest Rate Coverage Ratio ⁷ | 2.74 | 6.27 |

¹ Current assets / current liabilities

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

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

⁴ Annualized 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: August 11, 2020