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)

September 30, 2020

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 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 September 30, 2020

Title of each class	Number of shares issued and outstanding
Common shares	**14,745,334,847**
Preferred shares	**13,066,494,759**

Amount of Debt Outstanding
₱130,900,000,000.00

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

    (b) has been subject to such filing requirements for the past 90 days:
    Yes [x] No [ ]

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PART I – FINANCIAL INFOR MATION
Item 1. Financial Statements

AYALA LAND, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Millions)
See accompanying notes to consolidated financial statements

	September 2020 Unaudited	December 2019 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (note 4)	**₱17,183**	₱20,413
Short-term investments (note 5)	**604**	617
Financial assets at fair value through profit or loss (note 6)	**692**	485
Accounts and notes receivable (note 7)	**111,130**	105,039
Inventories (note 8)	**128,380**	120,288
Other current assets (note 9)	**59,567**	48,592
Total Current Assets	**317,556**	295,434
Noncurrent Assets		
Noncurrent accounts and notes receivable (note 7)	**44,421**	45,564
Financial assets at fair value through other comprehensive income	**1,447**	1,529
Investments in associates and joint ventures (note 10)	**26,536**	25,318
Right of use assets	**13,123**	13,564
Investment properties – net	**236,579**	243,043
Property and equipment – net	**43,020**	43,062
Deferred tax assets - net	**11,307**	11,528
Other noncurrent assets (note 11)	**25,861**	34,880
Total Noncurrent Assets	**402,294**	418,489
Total Assets	**₱719,850**	₱713,923
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (note 12)	**₱20,966**	₱18,033
Accounts and other payables (note 13)	**150,936**	162,979
Income tax payable	**790**	2,123
Current portion of lease liabilities	**752**	725
Current portion of long-term debt (note 12)	**14,669**	17,251
Deposits and other current liabilities (note 14)	**18,210**	25,473
Total Current Liabilities	**206,323**	226,584
Noncurrent Liabilities		
Long-term debt - net of current portion (note 12)	**174,578**	175,813
Pension liabilities	**2,367**	1,988
Lease liabilities – net	**16,924**	16,739
Deferred tax liabilities - net	**7,001**	6,091
Deposits and other noncurrent liabilities (note 15)	**55,672**	44,004
Total Noncurrent Liabilities	**256,542**	244,634
Total Liabilities	**462,865**	471,218
Equity		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-up capital	**62,850**	62,772
Retained earnings	**159,300**	156,940
Stock options outstanding	**42**	42
Remeasurement loss on defined benefit plans	**(651)**	(337)
Fair value reserve of financial assets at FVOCI	**(757)**	(457)
Cumulative translations adjustments	**(606)**	250
Equity reserves (note 16)	**560**	(7,056)
Treasury Stock	**(1,261)**	(1,104)
	219,477	211,050
Non-controlling interests	**37,508**	31,656
Total Equity	**256,985**	242,706
Total Liabilities and Equity	**₱719,850**	₱713,923

AYALA LAND, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Millions, Except Earnings Per Share Figures)

	2020 Unaudited		2019 Unaudited	
	July 1 to September 30	**January 1 to September 30**	**July 1 to September 30**	**January 1 to September 30**
REVENUE				
Real estate	**₱19,435**	**₱55,575**	**₱34,765**	**₱113,362**
Interest income from real estate sales	**2,133**	**6,361**	2,982	6,288
Equity in net earnings of associates and joint ventures	**182**	**528**	**138**	**704**
	21,750	**62,464**	37,885	120,354
Interest and Investment Income	**70**	**290**	126	580
Other income	**302**	**567**	**429**	**723**
	372	**857**	555	1,303
	22,122	**63,321**	**38,440**	**121,657**
COSTS AND EXPENSES				
Real estate	**13,511**	**35,594**	**21,042**	**69,951**
General and administrative expenses	**1,786**	**5,651**	**1,744**	**6,173**
Interest and other financing charges	**3,646**	**10,503**	**3,370**	**8,873**
Other charges	**311**	**1,119**	**293**	**839**
	19,254	**52,867**	**26,449**	**85,836**
INCOME BEFORE INCOME TAX	**2,868**	**10,454**	11,991	35,821
PROVISION FOR INCOME TAX				
Current	**868**	**2,883**	**2,233**	**8,841**
Deferred	**(46)**	**59**	**989**	**696**
	822	**2,942**	**3,222**	**9,537**
NET INCOME	**₱2,046**	**₱7,512**	₱8,769	₱26,284
Net income attributable to:				
Equity holders of Ayala Land, Inc.	**₱1,849**	**6,367**	₱8,053	₱23,210
Non-controlling interests	**197**	**1,145**	716	3,074
	₱2,046	**₱7,512**	₱8,769	₱26,284
Earnings Per Share				
Basic	**₱0.12**	**₱0.43**	₱0.54	₱1.57
Diluted	**0.12**	**0.43**	0.54	1.57

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	
	July 1 to September 30	**January 1 to September 30**	July 1 to September 30	January 1 to September 30
NET INCOME	**₱2,046**	**₱7,512**	₱8,769	₱26,284
Item that may be reclassified to profit or loss in subsequent years:				
Cumulative translation adjustment	**(130)**	**(856)**	(37)	(545)
Items that will not be reclassified to profit or loss in subsequent years:				
Fair value reserve of financial assets at FVOCI	**(71)**	**(298)**	(47)	(103)
Remeasurement gain (loss) on pension liabilities	**-**	**(450)**	5	(60)
Income tax effect	**-**	**135**	(2)	(18)
	(201)	**(1,469)**	(81)	(726)
Total comprehensive income for the period	**₱1,845**	**₱6,043**	₱8,688	₱25,558
Total comprehensive income attributable to:				
Equity holders of Ayala Land, Inc.	**₱1,648**	**₱4,898**	₱7,972	₱22,484
Non-controlling interests	**197**	**1,145**	716	3,074
	₱1,845	**₱6,043**	₱8,688	₱25,558

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 Availablefor-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					6,367						-	6,367	1,145	7,512
Other comprehensive income (loss)							(314)	(299)	(856)			(1,470)		(1,470)
Total comprehensive income	16,052	48,599	(1,878)	8,000	155,307	42	(651)	(757)	(606)	(7,056)	(1,104)	215,947	32,801	248,747
Cost of stock options	15	397	(412)									-		-
Collection of subscription receivable														
Stock options exercised												-		-
Reacquisition of shares											(156)	(156)		(156)
Acqusition of control on previously held interest												-		-
Acquisition of non-controlling interest												-		-
Sale of non-controlling interest										7,616		7,616		7,616
Increase in non-controlling interest												-		-
Net change in non-controlling interest												-	4,707	4,707
IFRS 2 - Adjustment on share-based payment		77										77		77
Cash dividends declared					(4,007)							(4,007)	-	(4,007)
As of September 30, 2020	16,067	49,072	(2,290)	8,000	151,300	42	(651)	(757)	(606)	560	(1,261)	219,477	37,508	256,985
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					23,210						-	23,210	3,074	26,284
IFRS 16 - Leases					(901)							(901)		(901)
Other comprehensive income (loss)							42	103	(546)		-	(401)		(401)
Total comprehensive income	16,042	47,986	(1,677)	8,000	146,399	65	(178)	(351)	323	(7,401)	-	209,208	35,995	245,203
Cost of stock options												-		-
Collection of subscription receivable			257									257		257
Stock options exercised	10	447	(457)									-		-
Reacquisition of shares											(448)	(448)		(448)
Acquisition of previously held interest														-
Acquisition of non-controlling interest										(351)		(351)		(351)
Sale of non-controlling interest												-		-
Increase in non-controlling interest												-		-
Net change in non-controlling interest												-	(2,077)	(2,077)
IFRS 2 - Adjustment on share-based payment		101										101		101
Cash dividends declared					(3,890)							(3,890)		(3,890)
As of September 30, 2019	16,052	48,534	(1,877)	8,000	142,508	65	(178)	(351)	323	(7,752)	(448)	204,876	33,919	238,794

See accompanying notes to consolidated financial statements

AYALA LAND, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

	September 2020 Unaudited	September 2019 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱10,454**	**₱35,821**
Adjustments for:		
Depreciation and amortization	**7,349**	**6,862**
Equity in net earnings of investees	**(528)**	**(6,868)**
Interest and other charges - net of amount capitalized	**11,581**	**9,703**
Interest and other income	**(6,651)**	**(704)**
Provision for doubtful accounts	**141**	**9**
Operating income before changes in working capital	**22,346**	**44,823**
Decrease (increase) in:		
Accounts and notes receivable – trade	**(8,967)**	**(52,791)**
Real estate inventories	**(1,928)**	**9,069**
Other current assets	**(11,012)**	**37,614**
Increase (decrease) in:		
Accounts and other payables	**(11,884)**	**(21,714)**
Pension liabilities	**65**	**60**
Other current liabilities	**(7,263)**	**(15,967)**
Cash generated from (used for) operations	**(18,643)**	**1,094**
Interest received	**6,613**	**6,897**
Income tax paid	**(2,527)**	**(7,349)**
Interest paid - net of amount capitalized	**(13,444)**	**(9,348)**
Net cash used in operating activities	**(₱28,001)**	**(₱8,706)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposals of (additions to):		
Investments	**(₱4,114)**	**(₱31,266)**
Property and equipment	**(4,130)**	**(9,179)**
Short term investments	**(225)**	**2,046**
Financial assets at FVPL	**-**	**-**
Decrease (increase) in:		
Noncurrent accounts and notes receivable – nontrade	**3,762**	**5,851**
Other assets	**9,575**	**14,181**
Net cash provided by (used in) investing activities	**₱4,868**	**(₱18,367)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term / long-term loans	**₱172,822**	**₱37,551**
Payments of short-term / long-term loans	**(173,631)**	**(23,481)**
Increase (decrease) in:		
Deposits and other noncurrent liabilities	**12,783**	**14,967**
Noncontrolling interest in consolidated subsidiaries	**5,088**	**(1,871)**
Equity reserves	**(45)**	**-**
Gain on sale of noncontrolling interest in AREIT	**7,661**	**-**
Proceeds from capital stock subscriptions	**77**	**358**
Purchase of treasury shares	**(156)**	**(448)**
Dividends paid to non-controlling interest	**(381)**	**(206)**
Dividends paid to equity holders of Ayala Land, Inc.	**(4,007)**	**(3,890)**
Net cash provided by financing activities	**₱20,211**	**₱22,980**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(₱2,922)**	**(₱4,093)**
EFFECT OF CHANGES IN FOREIGN CURRENCY	**(308)**	**(109)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**20,413**	**23,997**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱17,183**	**₱19,795**

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:

	Sep 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.)	**54**	**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**	**71**

Cebu Leisure Company, Inc.	**71**	**71**
CBP Theatre Management Inc.	**71**	**71**
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**	**71**
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 Vismin, 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**
Airswift 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:

AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) was incorporated in September 4, 2006. As of September 30, 2020, the company is 44.58% owned by ALI, 9.85% owned by AyalaLand Offices, Inc. (ALOI), a wholly-owned entity of ALI, and 45.57% public after the company was listed in the Philippine Stock Exchange on August 13, 2020. Effectively, ALI's ownership was reduced from 100.00% to 54.43% as a result of public offering. The company was organized primarily as a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including its implementing rules and regulations and other applicable laws.

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.

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

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%.

<u>Increased stake in Cebu Holdings, Inc.</u>

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%.

<u>San Lazaro BPO Complex Joint Venture</u>

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 November 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

<u>Basis of Consolidation</u>

The consolidated financial statements represent the consolidation of the financial statements of the Group as of September 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.

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 based 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 thousand pesos)	**September 30, 2020 (Unaudited)**	**December 31, 2019 (Audited)**
Cash on Hand	₱63,934	₱73,215
Cash in Banks	13,633,023	14,555,033
Cash Equivalents	3,485,994	5,784,793
TOTAL	**₱17,182,951**	**₱20,413,041**

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:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Philippine Peso	0.875% to 1.25%	3.0%
US Dollar	0.1% to 1.8%	1.8% to 2.0%

6. Financial Assets at FVPL

This account consists of the following:

(in thousand pesos)	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Investment in Arch Capital Fund	₱346,039	₱389,031
Investment in Unit Investment Trust Fund (UITF)	345,708	96,405
TOTAL	**₱691,747**	**₱485,436**

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 P000)	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade:		
Residential	₱110,110,979	₱104,260,962
Shopping Centers	5,344,050	3,684,650
Construction Contracts	1,899,264	1,553,320
Corporate Business	5,164,152	3,828,160
Management fees	147,193	99,263
Others	3,716,256	4,558,543
Advances to other companies	17,946,753	18,984,210
Accrued receivables	7,384,196	7,788,796
Receivables from related parties (Note 17)	4,303,185	6,130,303
Receivables from employees	862,341	901,261
	156,878,369	151,789,468
Less allowance for impairment losses	1,327,149	1,186,293
	155,551,220	150,603,175
Less noncurrent portion	44,421,245	45,563,869
	₱111,129,975	**₱105,039,306**

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 ₱-14,949 in the first nine months of 2020 and ₱9,976 in the full-year of 2019. These were sold at discount with total proceeds of ₱13,603 million for first nine months of 2020 and ₱9,281 million in the full-year of 2019. The Group recognized loss on sale, under "Other Charges" amounting to ₱1,346 million in the first nine months of 2020 and ₱775 million in the full-year of 2019. As of September 30, 2020, (unaudited) aging analysis of past due but not impaired trade receivables presented per class, follow:

		Past Due but not impaired							
(in thousands)	**Neither Past Due nor Impaired**	**<30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**	**Individually Impaired**	**Total**
Trade	**₱108,696,085**	**₱4,777,568**	**₱1,411,130**	**₱1,419,004**	**₱2,005,805**	**₱7,291,038**	**₱16,904.545**	**₱781,264**	**₱126,381,894**
Residential	96,601,220	4,431,299	966,889	1,024,024	1,814,403	5,247,747	13,484,362	25,397	110,110,979
Shopping Centers	2,700,933	255,732	321,061	322,185	83,063	1,265,471	2,247,512	395,605	5,344,050
Construction Contracts	1,698,739	1,486	28,279	8,935	25,273	98,776	162,749	37,776	1,899,264
Corporate Business	4,109,299	62,531	42,878	38,709	77,143	583,426	804,687	250,166	5,164,152
Management Fees	56,673	-	34,288	16,427	-	25,951	76,666	13,854	147,193
Others	3,529,221	26,520	17,735	8,724	5,923	69,667	128,569	58,466	3,716,256
Advances to other companies	**10,748,925**	**826,874**	**5,988**	**19,178**	**107,201**	**6,119,604**	**7,078,845**	**118,983**	**17,946,753**
Accrued Receivables	**5,582,502**	**176,458**	**356,794**	**-**	**151,359**	**1,117,083**	**1,801,694**	**-**	**7,384,196**
Related Parties	**3,346,311**	**268,402**	**83,075**	**100,792**	**85,429**	**419,176**	**956,874**	**-**	**4,303,185**
Receivables from employees	**797,941**	**579**	**-**	**214**	**3,804**	**59,803**	**64,400**	**-**	**862,341**
Total	**₱129,171,764**	**₱6,049,881**	**₱1,856,987**	**1,539,188**	**₱2,353,598**	**₱15,006,704**	**₱26,806,358**	**₱900,247**	**₱156,878,369**

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 thousand pesos)	As of September 30, 2020	As of December 31, 2019
Value-added input tax	**₱13,920,384**	₱14,515,697
Prepaid expenses	**17,226,871**	14,355,646
Advances to contractors	**19,346,589**	13,217,858
Creditable withholding taxes	**7,006,093**	4,710,840
Materials, parts and supplies – at cost	**792,491**	999,883
Others	**1,274,577**	791,708
Total	**₱59,567,005**	₱48,591,632

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:

	Percentage of Ownership		Carrying Amounts	
(in thousand pesos)	As of Sep 30 2020	As of Dec 31 2019	As of Sep 30 2020	As of Dec 31 2019
Joint Ventures:				
Emerging City Holdings, Inc. (ECHI)	50%	50%	3,952,833	4,075,620
Berkshires Holdings, Inc. (BHI)	50%	50%	1,949,239	2,002,726
Cebu District Property Enterprise, Inc. (CDPEI)	35%	35%	1,425,519	1,443,220
Alveo-Federal Land Communities, Inc.	50%	50%	937,922	904,452
ALI-ETON Property Development Corporation	50%	50%	4,451,083	3,294,858
AyaGold Retailers, Inc. (AyaGold)	50%	50%	159,379	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%	2,784,217	2,274,254
			15,747,436	**14,242,803**

Associates:				
Ortigas Land Corporation (OLC)	21%	21%	8,672,306	8,540,155
Bonifacio Land Corp. (BLC)	10%	10%	1,431,831	1,479,284
Rize-Ayalaland (Kingsway) GP, Inc. (Rize-Ayalaland)	49%	49%	463,354	448,613
Tianjin Eco-City Ayala Land Development Co., Ltd (Tianjin Eco-City)	40%	40%	106,312	474,486
Mercado General Hospital, Inc. (MGHI)	39%	40%	73,671	96,551
Lagoon Development Corporation	30%	30%	41,025	35,689
			10,788,499	**11,074,778**
Total			**26,535,935**	**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) **Ortigas Land Corporation**	**As of Sep 30, 2020**	**As of Dec 31, 2019**
Current assets	22,813,299	20,459,694
Noncurrent assets	22,141,340	19,563,645
Current liabilities	11,065,615	13,360,788
Noncurrent liabilities	23,929,385	17,374,206
Equity	9,959,639	9,288,344
Proportion of Group’s ownership	21.0%	21.0%
Group’s share in identifiable net assets	2,091,524	1,950,552
Carrying amount of the investment	8,672,306	8,540,155
Fair value adjustments	6,580,781	6,589,603
Negative Goodwill	-	-
Dividends received	-	-
Revenue	5,514,827	12,214,233
Cost and expenses	(4,841,329)	(9,877,006)
Net income (continuing operations)	673,498	2,337,227
Group’s share in net income for the year	141,434	490,818
Total comprehensive income	668,605	2,337,227
Group’s share in total comprehensive income for the year	140,407	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) **Bonifacio Land Corporation**	**As of Sep 30, 2020**	**As of Dec 31, 2019**
Current assets	3,568,926	10,996,893
Noncurrent assets	38,141,450	32,437,784
Current liabilities	2,179,525	3,066,467
Noncurrent liabilities	7,198,063	7,175,865
Equity	32,332,788	33,192,345
Less: noncontrolling interest	14,514,349	14,896,099
Equity attributable to Parent Company	17,818,439	18,296,246
Proportion of Group’s ownership	10.1%	10.1%

Group's share in identifiable net assets	1,799,662	1,847,921
Carrying amount of the investment	1,431,831	1,479,284
Negative Goodwill	367,831	368,737
Dividends received	111,048	80,836

Revenue	2,973,341	5,790,288
Cost and expenses	(1,926,929)	(3,150,446)
Net income (continuing operations)	1,046,412	2,639,842
Net income attributable to minority interest	(487,631)	(1,242,515)
Net income attributable to parent	558,782	1,397,327
Group's share in net income for the year	56,437	141,130
Total comprehensive income attributable to parent	558,782	1,397,327
Group's share in total comprehensive income for the year	56,437	141,130

Aggregate financial information on associates with immaterial interest:

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

(in thousand pesos) **Rize-Ayalaland, Tianjin Eco-City, LDC, MGHI, others**	**As of Sep 30, 2020**	**As of Dec 31, 2019**
Carrying amount	684,362	1,055,339
Share in net income (loss) from continuing operations	(4,816)	(216,534)
Share in total comprehensive income (loss)	(4,816)	(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) **Emerging City Holdings, Inc.**	**As of Sep 30, 2020**	**As of Dec 31, 2019**
Current assets	3,784,985	11,219,613
Noncurrent assets	38,144,904	32,437,964
Current liabilities	2,508,287	3,395,804
Noncurrent liabilities	7,198,063	7,175,865
Equity	32,223,539	33,085,909
Less: minority interest	23,650,184	24,244,695
Equity	8,573,356	8,841,213
Proportion of Group's ownership	50.0%	50.0%
Group's share in identifiable net assets	4,286,678	4,420,607
Carrying amount of the investment	3,952,833	4,075,620
Fair value adjustments	333,845	344,987
Dividends received	284,000	175,000

Revenue	2,975,738	5,795,508
Cost and expenses	(1,933,438)	(3,158,836)
Net income (continuing operations)	1,042,300	2,636,671
Net income attributable to minority interest	(756,749)	(1,916,480)
Net income attributable to parent	285,550	720,191
Group's share in net income for the period	142,775	360,096
Total comprehensive income attributable to parent	286,836	722,037
Group's share in total comprehensive income for the period	143,418	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) **AKL Properties, Inc.**	**As of Sep 30, 2020**	**As of Dec 31, 2019**
Current assets	1,341,567	803,666
Noncurrent assets	4,196,281	3,748,654
Current liabilities	77	8,811
Noncurrent liabilities	0	0
Equity	5,537,771	4,543,508
Proportion of Group's ownership	50.0%	50.0%
Group's share in identifiable net assets	2,768,886	2,271,754
Carrying amount of the investment	2,784,217	2,274,254
Fair value adjustments	15,332	2,500
Negative Goodwill	-	-
Dividends received	-	-
Revenue	438	336
Cost and expenses	(2,673)	(6,446)
Net income (continuing operations)	(3,110)	(6,110)
Group's share in net income for the period	(1,555)	(3,055)
Total comprehensive income attributable to parent	(3,110)	(6,110)
Group's share in total comprehensive income for the period	(1,555)	(3,055)

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

(in thousand pesos) **BHI, CDPEI, Alveo-Federal, ALI-Eton, SIAL Specialty, AyaGold and BYMCW, Inc**	**As of Sep 30 2020**	**As of Dec 31 2019**
Carrying amount	9,010,386	7,892,929
Share in net income (loss) from continuing operations	156,088	421,773
Share in total comprehensive income (loss)	156,088	421,773

11. Other noncurrent assets

This account consists of:

(in thousand pesos)	**As of September 30, 2020**	**As of December 31, 2019**
Advances to contractors	**₱ 9,604,838**	₱13,664,137
Prepaid expenses	**5,035,958**	10,667,666
Leasehold rights	**3,611,132**	3,684,840
Deferred input VAT	**2,342,004**	1,676,155
Deposits - others	**2,570,900**	2,452,299
Investment in bonds	**2,309,440**	2,309,867
Net pension assets	**29,527**	74,332
Development rights	**63,314**	63,314
Others	**294,387**	287,867
Total	**₱25,861,500**	₱34,880,477

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 thousand pesos)	**Sept 30, 2020**	**Dec 31, 2019**
Balance at the beginning of the year	₱3,864,840	₱3,868,532
Amortization	(73,708)	(183,692)
Balance at the end of the period	₱3,611,132	₱3,684,840

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 P20,849 million and P18,033 million as of September 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 P20,160.2 million and P24,416.9 million as of September 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 4.23% and 4.98% per annum for the first nine months ending September 30, 2020 and for the year ending December 31, 2019, respectively

Long-term debt consists of:

(in thousand pesos)	**September 30, 2020**	**December 31, 2019**
Company:		
Bonds:		
Due 2020	₱ 4,000,000	₱ 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	21,250,000	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)	5,662,000	5,710,000
PHP-denominated long-term loan	31,444,162	41,885,094
USD-denominated long-term loan	6,061,880	6,329,375
	169,068,037	163,574,469

Subsidiaries:		
Bonds		
Due 2021	₱5,000,000	₱5,000,000
Bank Loans – Philippine Peso	14,807,200	24,046,410
Bank Loans – Malaysian Ringgit	116,662	4,875
FXCNs	1,320,000	1,350,000
	21,243,862	30,401,285
	190,311,899	193,975,754
Less: Unamortized Transaction Costs	1,064,478	911,703
	189,247,421	193,064,051
Less: Current Portion	14,669,133	17,250,706
	174,578,288	**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 fourth 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-year Bonds due 2025
In September 2020, the Parent Company issued a P6,250.0 million fixed rate bond due 2025 at a rate equivalent to 3.862% p.a. The Bonds represent the fifth tranche of the new P50B debt securities program approved by the SEC in May 2019. The bond was listed on the PDEx. The Bonds have 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 P137.5 million worth of amortizations were paid by the Company. As of September 30, 2020, and end-2019, the remaining balance of the note amounted to P4,712.5 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 repriceable quarterly. The loan was prepaid in December 2018. As of September 30, 2020 and December 31,2019, the remaining balance of the assumed long-term facilities amounted to P11,719.2 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 September 30, 2020, and December 31, 2019, remaining aggregate balance of the Peso-denominated long-term loans amounted to P31,444.2 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), repriceable 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 September 30, 2020, and December 31, 2019, the remaining aggregate balance of US Dollar denominated long term loans amounted to P6,061.9 million and P6,329.4 million, respectively.

<u>Subsidiaries</u>

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 1.91% 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 September 30, 2020 and December 31, 2019 amounted to ₱16,105.2 million and ₱25,401.3 million, respectively.

Philippine Peso 5.0 Billion Fixed Rate Bonds due 2021
In September 2014, Cebu Holdings, Inc. issued a total of ₱5,000.0 million bonds due 2021 at a fixed rate equivalent to 5.32% p.a. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of debt-to-equity ratio; payment of dividends and additional loans maturing beyond a year which will result in a violation of the required debt-to-equity ratios; merger or consolidation where the Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Group as of September 30, 2020 and December 31, 2019.

13. Accounts and Other Payables

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

Accounts and other payables (in thousand pesos)	**As of September 30, 2020**	**As of December 31, 2019**
Accounts payable	**₱84,824,831**	**₱84,659,801**
Taxes payable	**22,390,973**	**22,488,327**
Accrued project costs	**13,617,377**	**18,269,215**
Liability for purchased land	**11,162,890**	**9,936,887**
Accrued salaries & employee benefits	**5,952,492**	**5,792,122**
Retention payable	**4,827,706**	**4,094,175**
Accrued professional & management fees	**2,172,430**	**3,837,477**
Accrued repairs and maintenance	**1,995,458**	**1,902,797**
Interest payable	**292,931**	**2,156,213**
Accrued utilities	**693,648**	**2,334,623**
Accrued advertising and promotions	**1,052,838**	**1,317,500**
Accrued rentals	**416,990**	**1,082,496**
Payable to related parties (note 18)	**907,389**	**1,034,283**
Dividends payable	**431,189**	**632,000**
Development rights payment (DRP) obligation	**350,114**	**-**
Other accrued expenses	**599,223**	**3,441,253**
Total	**₱151,688,479**	**₱162,979,169**

14. Deposits and other current liabilities

This account consists of:

(in thousand pesos)	September 30, 2020	December 31, 2019
Security and customers' deposits	**₱17,286,081**	₱25,129,315
Other current liabilities	**923,553**	343,266
Total	**₱18,209,634**	₱25,472,581

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 thousand pesos)	September 30, 2020	December 31, 2019
Deposits	**₱39,146,756**	₱22,456,167
Contractors payable	**5,862,655**	6,595,611
Liability for purchased land	**1,722,865**	5,341,766
Retentions payable	**6,804,080**	6,752,120
Deferred Output VAT	**1,444,392**	1,721,402
Subscriptions payable	**498,175**	498,175
Others liabilities	**192,732**	638,395
Total	**₱55,671,655**	₱44,003,626

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

Equity Reserve

On August 13, 2020, ALI's sold through a public listing its 49.00 %effective noncontrolling interest in AREIT, Inc. at P27.00/share. Subsequently during a one-month stabilization process, BPI Capital Corporation acquired a 3.43% interest in AREIT at an average price of P26/share and redelivered this to ALI, increasing its effective ownership back to 54.43%. ALI's net equity reserve from the sale and buy-back transactions aggregated to P7.7 billion out of the P12.3 billion net proceeds from public offering.

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 August 17, 2020, the Board of Directors approved the approved the Company's 2020 stock option program pursuant to the company's Employee Stock Ownership Plan (the "Plan"), covering up to 20,989,000 common shares at a subscription price of Php27.72 per share, which is the average price of our common shares at the Philippine Stock Exchange over the last 15-day trading as of August 14, 2020, less 15% discount.

On September 28, 2020, 169 stock option grantees subscribed to 14,845,498 common shares at P27.72 per share and became effective on the same day. As a result of the subscription of the 169 stock option grantees, the number of ALI outstanding common shares increased to 14,730,395,599.

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 Genez Investment Corporation for P497.7 million increasing the Company's ownership to 67%.

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

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

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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	₱1,078,224
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	₱27,913,937
LIABILITIES	
Accounts and other payables	₱5,506,336
Borrowings	2,752,114
Tax liabilities	128,551
Other payables	2,287,772
Total Liabilities	₱10,674,773
Net Assets	17,239,175
Total net assets acquired to date	12,465,640
Carrying cost	(10,611,567)
Net negative goodwill	₱1,854,073

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

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

18. Related Party Transactions

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

Terms and Conditions of Transactions with Related Parties

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

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

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

a. Transactions with BPI, an associate of AC

As of September 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)	**September 30, 2020 Unaudited**	December 31, 2019 Audited
Cash in bank	₱4,517,888	₱3,942,497
Cash equivalents	1,456,001	906,296
Marketable Securities	635,351	80,000
Short-term debt	560,900	9,399,330
Long-term debt	23,807,099	14,315,498

b. Outstanding balances from/to related parties

	Receivables from Related Parties		**Payables to Related Parties**	
In million pesos	**September 2020**	**December 2019**	**September 2020**	**December 2019**
Ayala Corp. & Other Related Parties				
Ayala Corporation	₱53,709	₱143,781	₱236,822	₱286,718
Globe Telecom, Inc.	177,471	145,593	7,524	6,164
Bank of the Philippine Islands	152,802	176,014	44,579	59,800
Columbus	1	-	267,355	267,355
Manila Water Company, Inc.	1,941	57, 402	5,420	18,221
Manila Water Philippine Ventures, Inc.	201,367	258,169	18,092	80,810
Michigan Holdings, Inc.	218	110,103	-	-
Others	148,579	131,053	71,603	70,596
	₱736,088	**₱1,022,115**	**₱651,395**	**₱789,644**
ALI – Associates				
AKL Properties	₱56	₱56	₱-	₱-
ALI ETON Property Development Corp.	2,377,372	3,267,222	3,942	3,942
Alveo-Federal Land Communities, Inc.	72,361	154,836	-	-
Berkshires Holdings, Inc.	1,391	266	-	212,696
Bonifacio Land Corp.	573	572	212,696	629
Cebu District Property Enterprise, Inc.	37,023	136,242	517	-
Emerging City Holdings	137	137	-	-
Esta Galleria, Inc.	5,831	-	15,913	1,715
Fort Bonifacio Development Corp.	1,041,140	1,515,304	1,723	25,637
Lagoon Development Corp.	7,189	9,528	21,203	-
Ortigas & Co. Ltd. Partnership	-	-	-	-
Tianjin Eco City Ayala	24,024	24,024	-	-
	₱3,567,097	**₱5,108,187**	**₱255,994**	**₱244,619**
Total	**₱4,303,185**	**₱6,130,302**	**₱907,389**	**₱1,034,283**

c. Revenues and expenses from/to related parties

	Revenues from Related Parties		Expenses to Related Parties	
In thousand pesos	September 2020	September 2019	September 2020	September 2019
Ayala Corp. & Other Related Parties				
Ayala Corporation	₱2,664	₱20,643	₱8,625	₱2,534
Ayala Group Counselors Corp.	-	128	123,887	124,147
Ayala Aviation	-	-	-	2,504
Azalea Technology Investments, Inc.	29,707	-	7,269	-
Bank of the Philippine Islands	274,982	306,783	318,952	213,486
BPI Capital Corp.	-	-	105,914	4,104
BPI Family Savings Bank	-	-	281,000	174,077
BPI MS Insurance Corp.	-	-	159,629	533
BPI Securities	-	-	96,457	-
G-Exchange, Inc.	-	-	50,230	27,857
Globe Telecom, Inc.	68,159	137,659	54,245	38,965
HCX Technology Partners, Inc.	-	57	27,714	22,022
Honda Cars Makati, Inc.			2,141	-
Innove Communications	5,919	5,417	43,131	49,434
Integrated Microelectronics, Inc.	5,519	604	-	-
ISUZU Automotive Dealership, Inc.	-	-	1,070	6,861
ISUZU Cars Alabang	-	-	165	-
ISUZU Cars Cebu, Inc.	-	-	563	-
ISUZU Iloilo	-	-	38	-
ISUZU Pasig	-	-	44	-
Laguna AAA Waterworks Corp.	1,125	1,125	1,369	8,040
Long Land Realty Corp.	8	-	-	181
Manila Water Company, Inc.	1,172	45,952	166,530	286,820
Manila Water Philippine Ventures, Inc.	152,311	118,716	92,755	71,180
Manila Water Total Solutions, Inc.	-	-	3,035	7,884
Michigan Holdings, Inc.	902	81,188	-	-
Northwestern Eco-Developers, Inc.	-	-	-	1,577
	₱542,468	**₱718,272**	**₱1,544,763**	**₱1,042,206**
ALI - Associates				
AKL Properties, Inc.	₱3,764	₱-	₱-	₱-
ALI ETON Property Development Corp.	337,350	1,261,093	₱7,564	-
Alveo-Federal Land Communities, Inc.	130,306	187,416	10,793	28,213
Berkshires Holdings, Inc.	-	-	-	-
Bonifacio Land Corp.	-	-	-	-
Cebu District Property Enterprise, Inc.	12,261	29,057	825	-
Emerging City Holdings, Inc.	-	-	-	-
Esta Galleria, Inc.	220	-	14,671	-
Fort Bonifacio Development Corp.	481,656	1,248,327	123,566	141,361
Lagoon Development Corp.	17,279	35,557	377	1,908
Ortigas & Co., Ltd Partnership	-	-	-	-
	₱982,836	**₱2,761,450**	**₱157,796**	**₱171,482**
Total	**₱1,525,304**	**₱3,479,722**	**₱1,702,559**	**₱1,213,688**

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 September 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 September 30, 2020 and December 31, 2019. The methods and assumptions used by the Group is estimating the fair value of the financial instruments are as follows:

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

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

Noncurrent accounts and notes receivables- The fair values of residential accounts and notes receivable from employees, are based on the discounted value of future cash flow using the applicable rates for similar types of instruments. The discount rates used ranged from 1.70% to 4.64% as of September 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 4.95% and 3.18% to 7.02% as of September 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 actives 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 September 30, 2020 and December 31, 2019.

	September 30, 2020		December 31, 2019	
(in thousands)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Asset at FVPL	₱691,747	₱691,747	₱485,436	₱485,436
Financial Asset at FVOCI				
Unquoted equity securities	151,919	151,919	565,650	565,650
Quoted equity securities	1,295,455	1,295,455	963,529	963,529
Total	₱2,139,121	₱2,139,121	₱2,014,615	₱2,014,615
At amortized cost				
Trade residential and office development	₱123,803,033	₱123,803,033	₱116,574,266	₱2,014,615
Receivables from employees	862,341	862,341	901,261	901,261
Total	₱125,665,374	₱125,665,374	₱117,475,527	₱117,475,527
Other Financial Liabilities				
Long-term debt	₱189,247,421	₱189,247,421	₱193,064,051	₱196,618,780
Deposits and other noncurrent liabilities	55,671,655	55,671,655	42,282,233	36,225,888
Total	**₱244,919,076**	**₱244,919,076**	₱235,346,284	₱232,844,668

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

(in thousands) **September 30, 2020**	**Date of valuation**	**Total**	**Quoted prices in Active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant observable inputs (Level 3)**
Financial assets at fair value through profit and loss					
Investment in Unit Investment Trust Fund	Sep 30, 2020	₱336,539	₱-	₱336,539	₱-
Investment in Arch Capital Fund	Sep 30, 2020	355,208	-	-	355,208
		₱691,747	₱-	₱336,539	₱355,208
Financial assets at fair value through other comprehensive income					
Quoted	Sep 30, 2020	₱1,295,455	₱1,295,455	₱-	₱-
Unquoted	Sep 30, 2020	151,920	-	-	151,920
		1,447,374	1,295,455	-	151,920
Total		**₱2,139,121**	**₱1,295,455**	**₱336,539**	**₱507,128**

(in thousands) **December 31, 2019**	**Date of valuation**	**Total**	**Quoted prices in Active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant observable inputs (Level 3)**
Financial assets at fair value through profit and loss					
Investment in Unit Investment Trust Fund	Dec 31, 2019	₱96,404	₱-	₱96,404	₱-
Investment in Arch Capital Fund	Dec 31, 2019	389,032	-	-	389.032
		₱485,436	₱-	₱96,404	₱389,032
Financial assets at fair value through other comprehensive income					
Quoted	Dec 31, 2019	₱963,529	₱963,529	₱-	₱-
Unquoted	Dec 31, 2019	565,650	-	-	565,650
		1,529,179	963,529	-	565,650
Total		**₱2,014,615**	**₱963,529**	**₱96,404**	**₱954,682**

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

(in thousands)	September 2020	December 2019
At the beginning of period	₱566,650	₱582,078
Disposals/redemptions	(414,730)	(15,428)
At end of the period	₱151,920	₱566,650

21. Condensed Consolidated Statement of Cash Flows

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

(in thousands)	2019	Cash Flows	Acquisition	Non-Cash Changes	FOREX Movement	2020
Long-term debt-net of current portion	₱175,813,346	(1,235,058)	-	-	-	174,578,288
Current Portion of Long-term debt	17,250,706	(2,581,573)	-	-	-	14,669,133
Short-term debt	18,032,830	2,932,732	-	-	-	20,965,562
Dividends Payable	632,000	(4,387,600)	-	4,186,790	-	431,190
Lease liabilities	17,463,705	212,837	-	-	-	17,676,542
Deposits & Other noncurrent liabilities	44,003,636	12,782,770	-	(1,114,751)	-	55,671,655
Total liabilities from financing activities	**₱273,196,223**	**7,724,108**	**-**	**3,072,039**	**-**	**₱283,992,370**

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.

YTD September 2020	Property Development	International Business	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustment	Consolidated
(in million pesos)										
Revenues										
Sales to external customers	31,416	2,839	7,377	7,346	2,601	1,624	2,373	-	-	55,576
Interest income from real estate sales	6,361								-	6,361
Intersegment sales									-	-
Equity in net earnings of Investees	385		5			(2)		139	-	527
Total Revenues	**38,162**	**2,839**	**7,382**	**7,346**	**2,601**	**1,622**	**2,373**	**139**	-	**62,464**
Operating Expenses	24,301	2,182	6,290	2,046	2,991	121	2,606	708	-	41,245
Operating Profit	**13,861**	**657**	**1,092**	**5,300**	**(390)**	**1,501**	**(233)**	**(569)**	-	**21,219**
Interest and investment income	-		-	-	-	-	-	-	-	290
Interest expense	-		-	-	-	-	-	-	-	(10,503)
Other income	-		-	-	-	-	-	-	-	567
Other charges	-		-	-	-	-	-	-	-	(1,119)
Provision for income tax	-		-	-	-	-	-	-	-	(2,942)
Net Income	-		-	-	-	-	-	-	-	7,512
Net Income attributable to:										
Equity holders of Ayala Land, Inc.	-		-	-	-	-	-	-	-	6,367
Minority interests	-		-	-	-	-	-	-	-	1,145
										7,512
Other information										
Segment assets	553,472	23,247	204,878	120,989	81,572	47,491	4,715	60,776	(415,132)	682,007
Investment in associates and jointly controlled entities	26,175	-	41	-	-	54	191	75	-	26,536
Deferred tax assets	1,499	114	1,001	194	394	95	53	859	7,099	11,307
Total assets	**581,146**	**23,360**	**205,920**	**121,182**	**81,967**	**47,639**	**4,959**	**61,711**	**(408,033)**	**719,850**
Segment liabilities	228,761	12,950	134,887	54,893	67,210	37,526	2,522	69,990	(152,875)	455,864
Deferred tax liabilities	2,400	-	202	23	(6)	-	0	19	4,363	7,002
Total liabilities	**231,162**	**12,950**	**135,088**	**54,916**	**67,205**	**37,526**	**2,522**	**70,009**	**(148,512)**	**462,866**
Segment additions to										
Property & Equipment	217	-	74	1	715	472	107	11	-	1,598
Investment properties	567	-	7,306	7,122	316	24	138	130	-	15,605
Depreciation and amortization	505	38	2,747	1,276	920	762	135	966	-	7,349

YTD September 2019	Property Development	International Business	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustmemt	Consolidated
(in million pesos)										
Revenues										
Sales to external customers	74,948	4,196	15,015	7,209	5,400	2,541	4,053	-	-	113,362
Interest income from real estate sales	6,288	-	-	-	-	-	-	-	-	6,288
Intersegment sales	-	-	-	-	-	-	-	-	-	-
Equity in net earnings of Investees	497	0	11	-	-	-	-	196	-	704
Total Revenues	**81,733**	**4,196**	**15,026**	**7,209**	**5,400**	**2,541**	**4,053**	**196**	-	**120,354**
Operating Expenses	56,140	3,831	5,999	2,408	4,250	(443)	4,456	(517)	-	76,124
Operating Profit	**25,593**	**365**	**9,027**	**4,801**	**1,150**	**2,984**	**(403)**	**713**	-	**44,230**
Interest and investment income	-	-	-	-	-	-	-	-	-	580
Interest expense	-	-	-	-	-	-	-	-	-	(8,873)
Other income	-	-	-	-	-	-	-	-	-	723
Other charges	-	-	-	-	-	-	-	-	-	(839)
Provision for income tax	-	-	-	-	-	-	-	-	-	(9,537)
Net Income	-	-	-	-	-	-	-	-	-	**26,284**
Net Income attributable to:										
Equity holders of Ayala Land, Inc.	-	-	-	-	-	-	-	-	-	23,210
Minority interests	-	-	-	-	-	-	-	-	-	3,074
										26,284
Other information										
Segment assets	490,299	21,046	196,106	103,267	72,905	51,684	6,803	92,985	(390,263)	644,832
Investment in associates and jointly controlled entities	24,627	-	49	-	-	56	196	204	-	25,132
Deferred tax assets	3,654		616	87	369	66	31	1,508	5,608	11,939
Total assets	**518,580**	**21,046**	**196,771**	**103,354**	**73,274**	**51,806**	**7,030**	**94,697**	**(384,655)**	**681,903**
Segment liabilities	211,472	9,529	127,655	51,831	57,498	41,831	3,179	73,105	(138,165)	437,935
Deferred tax liabilities	1,738		255	98	9	4	8	19	3,043	5,174
Total liabilities	**213,210**	**9,529**	**127,910**	**51,929**	**57,507**	**41,835**	**3,187**	**73,124**	**(135,122)**	**443,109**
Segment additions to										
Property & Equipment	347	1,711	326	11	1,916	1,357	40	5	-	5,713
Investment properties	13,333	1,752	15,237	2,021	206	-	-		-	32,549
Depreciation and amortization	270	60	2,080	1,186	667	1,828	124	647	-	6,862

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. In August 2, Metro Manila and the provinces of Laguna, Cavite, Rizal and Bulacan were again placed under MECQ effective August 4 until August 18. These areas were transitioned back to GCQ after this period. In October 27, it was announced that NCR will remain under GCQ until November 30 while most of the country is already under the lighter MGCQ.

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 September 30, 2020, revenues dropped to P63.3 billion, 48% lower versus same period last year due to the impact of COVID 19 on the Group’s business operations.

- Property development revenues ended 57% lower mainly due to lower bookings as a result of limited selling activities and restricted construction activities.
- Shopping center revenues dropped 51% 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 52% 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 32% lower revenues as demand from its Market Homes segment was offset by lower sales from projects in Lakefront Residences and Cybersouth as inventory is almost sold out and construction was suspended in the 2nd quarter under Malaysia’s movement control order (MCO).
- Property Management and Others Services’ revenues were 41% lower due to lower power consumption of customers and limited operations of AirSWIFT

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

On October 22, 2020, The Board of Directors of Ayala Land's Real Estate Investment Trust (REIT) vehicle, AREIT, Inc., at its regular board meeting approved the following items:

1. The acquisition of The 30^{th} from its Sponsor, Ayala Land Inc. for a purchase price of P5.1 billion, vat-inclusive, as endorsed by the Related Party Transactions Review Committee.

2. The raising of up to P6.4 billion, with a tenor of up to 10 years, through the issuance of retail bonds and/or corporate notes for listing on the PDEx, and/or bilateral term loans, and/or preferred shares for the purpose of financing asset acquisitions.

3. The establishment of credit facilities with banks amounting to P12.0 billion.

4. Likewise, the Board of Directors ratified and approved following amendments, as endorsed by the Corporate Governance and Nomination Committee:
    a. Article VI of the Articles of Incorporation and Section 2 of Article III of the By-Laws to increase the number of directors from seven (7) to eight (8); and
    b. Various sections of the By-Laws to align with the Revised Corporation Code and with recognized good corporate governance practices, and to digitalize certain governance processes. The attached Annex "A" provides a summary of the approved substantial changes.

The above amendments to the charters will be presented to the Company's stockholders at their annual meeting in 2021 for their approval.

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

<u>Review of 9M 2020 operations vs 9M 2019</u>

Ayala Land recorded consolidated revenues of P63.32 billion and a net income of P6.37 billion, a 48% and 73% decline, from P121.66 billion and P23.21 billion, respectively, due to the impact of COVID-19 on business operations. In the third quarter alone, the company registered P22.1 billion in revenues, a 73% improvement from the second quarter while net income in the third quarter reached P1.8 billion, a substantial advancement of almost nine-fold compared to only P197 million in the second quarter as government restrictions started to ease.

Real Estate revenues, composed of Property Development, Commercial Leasing, and Services registered at P55.58 billion, a 51% decline from P113.36 billion due to lower project bookings and limited construction activity, combined with restricted mall and hotel operations and closure of resorts during the quarantine period.

Capital expenditures amounted to P45.28 billion, representing 65% 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 P34.26 billion, a 57% drop from P79.15 billion due to lower project bookings and limited construction activity.

Residential. Revenues from the sale of residential lots and units and MCT Bhd's operations declined 54% to P28.40 billion from P62.05 billion.

AyalaLand Premier (ALP) posted revenues of P6.03 billion, 65% lower than P17.32 billion, due to lower bookings in West Gallery Place, Alcoves, Cerilo, Park Central South Tower, Arbor Lanes Tower 3 and lower incremental POC of Garden Towers 2.

ALVEO recorded revenues of P5.48 billion, a decline of 60% from P13.57 billion owing to lower incremental percentage completion (POC) of its projects such as High Park Tower 2 at Vertis North, Park Triangle Residences at BGC and The Residences at Evo City Phase 1, and lower bookings from Orean Place Tower 1 at Vertis North and Travertine at Portico.

Avida meanwhile registered revenues of P10.13 billon, a 51% decrease from P20.63 billion, attributed to lower bookings from projects such as The Montane at BGC, Avida Northdale Settings Alviera, Avida Towers Sola 1 at Vertis North, Avida Towers Prime Taft 3, Avida Towers Turf 1 at BGC, Avida Towers Intima in Manila, and Avida Towers Asten 3 in Makati City.

Amaia reached P3.46 billion in revenues, a 37% reduction from P5.51 billion relating to the lower bookings of Skies Cubao Tower 2, Skies Shaw Tower 1, Skies Avenida Tower 1, Skies Sta. Mesa, and Steps Sucat. **BellaVita** meanwhile recognized revenues of P463.71 million, 44% less than P822.48 million because of lower bookings of projects in Lipa and Lian Batangas, and Iloilo.

MCT Bhd contributed P2.84 billion in revenues, a 32% decline from P4.20 billion, as demand from its Market Homes segment was offset by lower sales from projects in Lakefront Residences and Cybersouth as inventory is almost sold out and construction was suspended in the 2nd quarter under Malaysia's movement control order (MCO).

Office for Sale. Revenues from the sale of office units dropped by 81% to P2.01 billion from P10.61 billion, attributed to lower bookings owing to limited inventory and the lower incremental completion of Park Triangle Corporate Plaza at BGC and Alveo Financial Tower at Makati CBD.

Commercial and Industrial Lots. Revenues from the sale of commercial and industrial decelerated by 41% to P3.85 billion from P6.49 billion mainly due to slower take-up of inventory at Alviera and limited inventory in Altaraza.

Sales Reservations. Due to limited selling activity during the quarantine, sales reservations for the first nine months of the year amounted to P60.81 billion, 44% lower than the same period in 2019. Sales started to improve in the third quarter of 2020, totaling P22.5 billion. Compared to sales reservations in the second quarter of P13.6 billion wherein quarantine was strictest, sales reservations improved by 66%. This is seen as a positive indication of demand picking up amid the current uncertain environment.

Local and overseas Filipinos accounted for 88% of total sales with the balance of 12% from other nationalities. Sales from local Filipinos which comprise 72%, amounted to P43.5 billion, 43% lower year-on-year, while sales from overseas Filipinos represented 16% of the total, amounting to P9.9 billion, 33% lower than the same period last year. Meanwhile, sales to other nationalities amounted to P7.4 billion, a 57% drop, primarily as sales to mainland Chinese buyers, which comprise 32% at P2.4 billion, decreased by 66%.

Project Launches. With improving demand in the third quarter, three (3) sequel projects were launched amounting to P2.19 billion. These are Andacillo Phase 3A in Nuvali, Laguna, Amaia Scapes Series 4A in Sta. Maria, Bulacan and Bellavita Alaminos 2. Combined with the projects launched in the first quarter of 2020, the value of launched projects for the year totaled P7.17 billion.

Commercial Leasing. This includes the operation of Shopping Centers, Office Buildings and Hotels and Resorts. Total revenues from commercial leasing declined 37% to P17.32 billion from P27.62 billion.

Shopping Centers. Revenues from shopping centers fell 51% to P7.38 billion from P15.02 billion due to the closure of all malls during the enhanced community quarantine and limited operations with low foot traffic upon reopening. Operating GLA is 62% from 61% as of the first half 2020 with foot traffic improving to 30-35% of pre-COVID levels from 20-25% in June 2020. Malls such as Glorietta and Market Market are reaching as high as 50% to 60% of pre-COVID foot traffic. The average occupancy rate for all malls is 85% and 91% for stable malls. Total Malls GLA stands at 2.12 million square meters.

Offices. Revenues from office leasing increased 2% to P7.35 billion from P7.21 billion given the sustained operations of BPO and HQ buildings. 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. BPO operations remained stable during the period.

Hotels and Resorts. Revenues from hotels and resorts ended 52% lower to P2.60 billion from P5.40 billion with the closure of resorts and lower average occupancy of hotels due to travel bans. The average occupancy for all hotels was 42% and 45% for stable hotels. Meanwhile, the average occupancy for all resorts stood at 19% and 18% for stable resorts. Occupancy declined at the onset of 2020 given the imposition of travels bans due to COVID-19 and further dropped since the imposition of the quarantine. The hotels and resorts segment ended the first nine months of 2020 with a total of 4,030 rooms in its portfolio.

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 AirSWIFT, the airline for the hotels and resorts in Palawan and Sicogon. Total revenues amounted to P4.00 billion, 39% lower than P6.59 billion due to restricted construction activity, lower power consumption of customers and limited operations of AirSWIFT.

Construction. Net construction revenues totaled P1.62 billion, 36% lower than P2.54 billion.

Property Management and Others. APMC, power services companies and AirSWIFT registered revenues of P2.37 billion, 41% less than P4.05 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 P527.67 million, 25% lower from P704.02 million as Ortigas Land and FBDC companies posted lower revenues with a combined value of P434.73 million, 48% lower than P831.13 million.

Interest income from real estate sales barely increased, amounting to P6.36 billion from P6.29 billion in 2019. Meanwhile, Interest and investment income declined 50% to P289.86 million from P580.54 million owing to lower cash balances and lower yields.

Other income (composed mainly of marketing and management fees from joint ventures, and unrealized gain on foreign exchange, among others) amounted to P566.70 million, 22% less than P722.56 million, largely as gains were booked in 2019 from the sale of retail shop lots at MCT's SkyPark One City and the sale of Vertex One Office building in Santa Cruz, Manila to Manila Jockey Club, Inc.

Expenses

Total expenses stood at P52.87 billion, 38% lower than P85.84 billion as real estate expenses decreased by 49% to P35.59 billion from P69.95 billion as a result of limited operations. General and administrative expenses totaled P5.65 billion, an 8% decline from P6.17 billion. With a lower topline, this resulted to a GAE ratio of 8.9% and an EBIT margin of 27.2%.

Interest expense, financing and other charges, which includes interest expense related to PFRS 16 (Leases) totaled P11.62 billion, a 20% increase from P9.71 billion due to higher interest expense attributed to a higher average loan balance, discounting cost related to the sale of accounts receivables, and higher bank charges related to loan pre-payment. The average cost of debt registered at 4.8%, lower than 5.2% at the end of December 2019. Of the total, 86% is locked in fixed rates, while 90% is contracted for a long-term basis.

Capital Expenditures

Capital expenditures reached P45.28 billion in the first nine months of 2020, mainly for residential developments, followed by commercial leasing assets. 47% was spent on residential projects, 21% on commercial projects, 14% for land acquisition and 15% 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 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 P18.48 billion resulting in a current ratio of 1.54:1.

Total borrowings registered at P210.21 billion which translated to a debt-to-equity ratio of 0.82:1 and a net debt-to-equity ratio of 0.75:1.

Return on equity was at 3.94% as of September 30, 2020.

	End-September 2020	*End-December 2019*
Current ratio [1]	1.54:1	1.30:1
Debt-to-equity ratio [2]	0.82:1	0.87:1
Net debt-to-equity ratio [3]	0.75:1	0.78:1
Profitability Ratios:		
Return on assets [4]	1.40%	5.43%
Return on equity [5]	3.94%	16.66%
Asset to Equity ratio [6]	2.80:1	2.94:1
Interest Rate Coverage Ratio [7]	2.71	6.27

1 Current assets / current liabilities
2 Total debt/ consolidated stockholders' equity (Total debt includes short-term debt, long-term debt and current portion of long-term debt)
3 Net debt/ consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)
4 Annualized 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 9M 2020.

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

Income Statement items **– September 2020 versus September 2019**

Real estate and hotel revenues lower by 51% as a result of lower sales bookings and lower construction completion from residential projects, limited malls operations during quarantine, and lower average hotel occupancy due to quarantine and travel bans.

Equity in net earnings decreased by 25% due to lower NIAT contributions from Ortigas Land Corporation (OLC) and Fort Bonifacio Development Corp. (FBDC).

Interest and investment income decreased by 50% due to lower yield and short-term investments.

Other Income declined by 22% due to one-time gain on sale of Property, Plant and Equipment and Investment Property in 2019 in the same period partially offset by unrealized gain on foreign exchange translations, and higher management fees from FBDC.

Real estate costs decreased by 49% as a result of lower sales bookings and lower construction completion from residential projects, limited malls operations during quarantine, and lower average hotel occupancy due to quarantine and travel bans.

General administrative expenses declined by 8% due to lower overhead cost.

Interest and other financing charges and other charges grew by 20% attributable to higher loan balances, discounting cost from sale of trade receivables, and cost of pre-payment of bank loans.

Provision for income tax declined by 69% caused of lower taxable income.

Balance Sheet items – September 2020 versus December 2019

Cash and cash equivalents decreased by 16% mainly due to lower collection from customers due to COVID 19, capital expenditures, payments of loans and interest expense, and cash dividends; partially offset by proceeds from public offering of AREIT, Inc..

Financial asset at fair value through profit and loss increased by 43% resulting from additional investments in Treasury bills.

Current accounts and notes receivable higher by 6% caused by incremental percentage of completion from prior year bookings; partially offset by lower collection from customers.

Real Estate Inventories grew by 7% caused by incremental POC and lower sales for the period.

Other current assets up by 23% driven by increase in prepaid taxes, deferred commission expense resulting from property sales, and advances to contractors and suppliers.

Financial assets at fair value through other comprehensive income decreased by 5% due to lower valuation of financial asset.

Investments in associates and joint ventures grew by 5% owing to the increase in investments in joint ventures and equity in net earnings for the period.

Other noncurrent assets lower by 28% mainly from recoupment of advances to contractors and suppliers, reclassification of advances to inventory account, and other noncurrent to current assets.

Short-term debt grew by 16% as a result of additional loan during the year.

Account and other payables decreased by 7% driven by various payments to contractors and suppliers.

Income tax payable down by 63%% due to lower taxable income.

Current portion of long-term debt decreased by 15% as a result of repayments of loans.

Deposit and other current liabilities decreased by 31% due to recognition of revenues from reservation sales, incremental project completion from prior year sales, and reclassification of current portion of customer deposits to noncurrent liability.

Pension liabilities up by 19% derived from provision for the current period.

Deferred tax liabilities higher by 15% due to higher provision for deferred income taxes.

Deposit and other noncurrent liabilities grew by 27% driven by increase in rental and security deposits, and noncurrent portion of unrealized revenues from property sales.

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

Fair value reserve of financial assets at FVOCI increase in unrealized loss by 65% as a result of market valuation of financial liability of MCT Berhad.

Cumulative translation adjustments decreased by 342% mainly due to unrealized translation loss of financial statements of MCT Berhad to reporting currency.

Equity reserves grew by 108% as a result of posted gain from sale shares in AREIT, Inc. through public offering.

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

Non-controlling interests increased by 18% as a result of public offering of AREIT, Inc.

PART II - OTHER INFORMATION

Item 3. Developments as of September 30, 2020

A. New project or investments in another line of business or corporation	None	
B. Composition of Board of Directors (as of Sept. 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

<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

<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

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 September 30, 2020, stock options outstanding* are as follows:

ESOP	None
ESOWN	122,782,452 shares

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

G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate

None

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

Item 4. Other Notes to 9M 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.
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	On October 22, 2020, The Board of Directors of Ayala Land's Real Estate Investment Trust (REIT) vehicle, AREIT, Inc., at its regular board meeting approved the following items:

1. The acquisition of The 30th from its Sponsor, Ayala Land Inc. for a purchase price of P5.1 billion, vat-inclusive, as endorsed by the Related Party Transactions Review Committee.

2. The raising of up to P6.4 billion, with a tenor of up to 10 years, through the issuance of retail bonds and/or corporate notes for listing on the PDEx, and/or bilateral term loans, and/or preferred shares for the purpose of financing asset acquisitions.

3. The establishment of credit facilities with banks amounting to P12.0 billion.

4. Likewise, the Board of Directors ratified and approved following amendments, as endorsed by the Corporate Governance and Nomination Committee:
   a. Article VI of the Articles of Incorporation and Section 2 of Article III of the By-Laws to increase the number of directors from seven (7) to eight (8); and
   b. Various sections of the By-Laws to align with the Revised Corporation Code and with recognized good corporate governance practices, and to

digitalize certain governance processes. The attached Annex “A” provides a summary of the approved substantial changes.

The above amendments to the charters will be presented to the Company’s stockholders at their annual meeting in 2021 for their approval.

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

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.
- 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.

On August 13, 2020, AREIT was listed on the Philippine Stock Exchange.

2020 ESOWN Grant

On August 17, 2020, the Board of Directors approved the approved the Company's 2020 stock option program pursuant to the company's Employee Stock Ownership Plan (the "Plan"), covering up to 20,989,000 common shares at a subscription price of Php27.72 per share, which is the average price of our common shares at the Philippine Stock Exchange over the last 15-day trading as of August 14, 2020, less 15% discount.

On September 28, 2020, 169 stock option grantees subscribed to 14,845,498 common shares at P27.72 per share and became effective on the same day. As a result of the subscription of the 169 stock option grantees, the number of ALI outstanding common shares increased to 14,730,395,599.

ALI 5-year fixed rate bond due 2025

On September 29, 2020, Ayala Land listed on the Philippine Dealing and Exchange Corporation P6.25 billion fixed rate bonds due 2025, the fifth tranche of the Company's P50-billion shelf program. The 5-year bond was priced at 3.862% with quarterly coupon payments to holders of the issuance.

Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

None

R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period

None

S. Material commitments for capital expenditures, general purpose and expected sources of funds

For the year 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, P45.3 billion has been disbursed as of September 30, 2020.

The Company will use the capital expenditure for the construction completion of launched residential projects and investment properties as well as land acquisition.

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

Item 5. Performance Indicators

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

	End-September 2020	*End-December 2019*
Current ratio [1]	1.54:1	1.30:1
Debt-to-equity ratio [2]	0.82:1	0.87:1
Net debt-to-equity ratio [3]	0.75:1	0.78:1
Profitability Ratios:		
Return on assets [4]	1.40%	5.43%
Return on equity [5]	3.94%	16.66%
Asset to Equity ratio [6]	2.80:1	2.94:1
Interest Rate Coverage Ratio [7]	2.71	6.27

1 Current assets / current liabilities
2 Total debt/ consolidated stockholders' equity (Total debt includes short-term debt, long-term debt and current portion of long-term debt)
3 Net debt/ consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)
4 Annualized Net income / average total assets
5 Annualized Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI
6 Total Assets /Total stockholders' equity
7 EBITDA/Interest expense

SIGNATURE

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

Issuer: **AYALA LAND, INC.**

By:

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

Date: November 6, 2020