# 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
   Sep 30, 2020
2. SEC Identification Number
   ASO93-7946
3. BIR Tax Identification No.
   003-831-302-000
4. Exact name of issuer as specified in its charter
   Alliance Global Group, Inc.
5. Province, country or other jurisdiction of incorporation or organization
   Metro Manila
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines
   Postal Code
   1110
8. Issuer's telephone number, including area code
   (632) 8709-2038 to 41
9. Former name or former address, and former fiscal year, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| Common | 9,737,043,179 |
| Treasury | 532,784,800 |

11. Are any or all of registrant's securities listed on a Stock Exchange?
    (●) Yes ( ) No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange; Common Shares
12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC 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 twelve (12) months (or for such shorter period that the registrant was required to file such reports)

    (●) Yes ( ) No

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

    (●) Yes ( ) No



ALLIANCE GLOBAL

# Alliance Global Group, Inc.
# AGI

## PSE Disclosure Form 17-2 - Quarterly Report
*References: SRC Rule 17 and*
*Sections 17.2 and 17.8 of the Revised Disclosure Rules*

| | |
|---|---|
| **For the period ended** | Sep 30, 2020 |
| **Currency (indicate units, if applicable)** | Philippine Peso |

**Balance Sheet**

| | Period Ended | Fiscal Year Ended (Audited) |
|---|---|---|
| | Sep 30, 2020 | Dec 31, 2019 |
| **Current Assets** | 317,942,797,690 | 301,176,454,314 |
| **Total Assets** | 669,404,752,469 | 644,476,328,467 |
| **Current Liabilities** | 138,623,676,405 | 130,698,946,116 |
| **Total Liabilities** | 374,746,972,694 | 347,359,532,963 |
| **Retained Earnings/(Deficit)** | 140,005,789,395 | 134,177,324,104 |
| **Stockholders' Equity** | 294,657,779,775 | 297,116,795,504 |
| **Stockholders' Equity - Parent** | 180,177,756,549 | 179,373,807,626 |
| **Book Value per Share** | 30.26 | 30.63 |

**Income Statement**

| | Current Year (3 Months) | Previous Year (3 Months) | Current Year-To-Date | Previous Year-To-Date |
|---|---|---|---|---|
| **Gross Revenue** | 28,413,206,694 | 43,073,934,494 | 88,222,349,539 | 123,470,838,223 |
| **Gross Expense** | 24,259,608,088 | 33,470,949,689 | 75,123,435,564 | 96,338,961,124 |
| **Non-Operating Income** | 1,987,392,274 | 1,122,305,842 | 3,558,671,621 | 3,538,200,320 |
| **Non-Operating Expense** | 2,737,181,596 | 1,759,599,106 | 6,467,083,191 | 5,156,565,964 |
| **Income/(Loss) Before Tax** | 3,403,809,284 | 8,965,691,541 | 10,190,502,405 | 25,513,511,455 |
| **Income Tax Expense** | 1,193,313,985 | 2,151,152,190 | 3,837,119,349 | 6,180,374,876 |
| **Net Income/(Loss) After Tax** | 2,210,495,299 | 6,814,539,351 | 6,353,383,056 | 19,333,136,579 |
| **Net Income Attributable to Parent Equity Holder** | 2,030,286,037 | 4,727,023,873 | 5,828,465,291 | 12,827,979,338 |
| **Earnings/(Loss) Per Share (Basic)** | 0.21 | 0.48 | 0.61 | 1.3 |
| **Earnings/(Loss) Per Share (Diluted)** | 0.21 | 0.48 | 0.61 | 1.3 |

| | Current Year (Trailing 12 months) | Previous Year (Trailing 12 months) |
|---|---|---|
| **Earnings/(Loss) Per Share (Basic)** | 1.47 | 2.47 |
| **Earnings/(Loss) Per Share (Diluted)** | 1.47 | 2.46 |

| Other Relevant Information |
|---|
| None. |

**Filed on behalf by:**

| | |
|---|---|
| **Name** | Alan Quintana |
| **Designation** | Corporate Secretary |

# COVER SHEET

AS093-7946

S.E.C. Registration Number

ALLIANCE GLOBAL GROUP, INC.
AND SUBSIDIARIES

(Company's Full Name)

7TH FLOOR, 1880 EASTWOOD
AVENUE, EASTWOOD CITY
CYBERPARK, 188 E. RODRIGUEZ
JR. AVENUE, BAGUMBAYAN,
QUEZON CITY

( Business Address : No. Street City / Town / Province )

| DINA INTING | 8709-2038 to 41 |
|---|---|
| Contact Person | Company Telephone Number |

| 12 | 31 | 17-Q | 3rd Thursday of June |
|---|---|---|---|
| *Month* | *Day* | FORM TYPE | Annual Meeting |
| Fiscal Year | | | |

(QUARTERLY REPORT FOR SEPTEMBER 30, 2020)

Certificate of Permit to Offer Securities for Sale

Secondary License Type, If Applicable

| SEC | N/A |
|---|---|
| Dept. Requiring this Doc. | Amended Articles Number/Section |

Total Amount of Borrowings

| 1,003 | | |
|---|---|---|
| Total No. of Stockholders | Domestic | Foreign |

To be accomplished by SEC Personnel concerned

File Number

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Cashier

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Remarks = pls. use black ink for scanning purposes

**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. *SEC Identification Number* **AS093-7946**

3. *BIR Tax Identification No.* **003-831-302-000**

4. *Exact name of issuer as specified in its charter* **ALLIANCE GLOBAL GROUP, INC.**

5. **METRO MANILA, PHILIPPINES**
   *Province, country or other jurisdiction of incorporation or organization*

6. (*SEC Use Only)*
   *Industry classification code*

7. **7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark**
   **188 E. Rodriguez Jr. Ave., Bagumbayan, 1110 Quezon City**
   *Address of principal office*

8. **(632) 870920-38 to -41**
   *Registrant's telephone number, including area code*

9. *Securities registered pursuant to Sections 8 and 12 of the SRC, or secs. 4 and 8 of the RSA*

| *Title of Each Class* | *Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding* |
|---|---|
| **Common** | **9,737,043,179**<br>(net of 532,784,800 buyback shares held by AGI) |

10. *Are any or all of these securities listed on a Stock Exchange?* **Yes, on the Philippine Stock Exchange.**

11. *(a) AGI has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 twelve (12) months.*

    *(b) AGI has been subject to such filing requirements for the past ninety (90) days.*

# PART I – FINANCIAL INFORMATION

## 1. FINANCIAL STATEMENTS

Consolidated Statements of Financial Position
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Equity
Consolidated Statements of Cash Flows
Notes to Interim Consolidated Financial Statements
Schedule of Financial Soundness Indicators
Aging Schedule of Trade and Other Receivables Under Current Assets

The interim consolidated financial statements ("ICFS") have been prepared in accordance with the Philippine Financial Reporting Standards ("PFRS") and Philippine Accounting Standard 34, *Interim Financial Reporting*. As such, they do not include all of the information and disclosures required for full annual consolidated financial statements, and thus should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2019 ("ACFS"). The accounting policies and methods used in the ICFS are consistent with those applied in ACFS. There were amendments to existing standards adopted by the Group effective January 1, 2020 but they did not impact the ICFS because such amendments were merely clarificatory (see Note 2.2 to the ICFS). Accounting estimates, assumptions and judgments are used in preparing these statements; and while these are believed to be reasonable under the circumstances, actual results may ultimately differ from such estimates (see Note 3 to both the ACFS and ICFS).

The ICFS comprise the financial statements of the Company and its subsidiaries, after elimination of material intercompany transactions. In addition, shares of stock of the Company acquired by any of these subsidiaries are recognized as treasury shares and presented at cost as a deduction in the consolidated statements of changes in equity. Any changes in their market values as recognized separately by the subsidiaries are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital.

*Business Segments*

The Group is organized into four major business segments, which aptly correspond to its operating subsidiaries, namely Megaworld, Emperador, Travellers or RWM, and GADC, which in turn represent the main products and services provided by the Group and the lines of business in which the Group operates, i.e. real estate property development and leasing, manufacture and distribution of distilled spirits, tourism-entertainment and gaming, and quick-service restaurants operations (see Note 4 to the ICFS).

The Group disaggregates revenues recognized from contracts with customers into these segments that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This same disaggregation is used in earnings releases, annual reports and investor presentations.

Please refer to Note 1 to the ICFS and ACFS for a comprehensive list of subsidiaries, associates and joint ventures.

## 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF INTERIM FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The world has seen the pandemic spread of a novel strain of coronavirus ("COVID-19") that continues to affect more and more countries, territories and humankind. To curb the spread of COVID-19 and stem its transmission in their places, the governments across the world, including the Philippines, have implemented extensive measures that caused disruptions to human and economic activities, such as travel bans and restrictions (suspension of public transport, limit on number of passengers, curfew hours), home isolation and quarantine (stay-at-home orders), physical distancing (1-2 meters apart in all areas outside of home), mass gathering limitations (no big group meetings) and closure of non-essential businesses (all types of recreational venues and most public places including malls, bars, dining places and hotels).
The Philippines was declared under a state of calamity from March 17 and put into varying degrees of lockdown – a four-phased transition of community quarantine ("CQ"). At the onset, the entire Luzon, its associated islands, and practically the whole country were under enhanced CQ ("ECQ") (the strictest phase) from March 17 to May 15, which paralyzed all non-essential activities and public transportation. Restrictions have started to ease from mid-May, as the governments tried to balance economic and health concerns. Metro Manila, Laguna, Batangas and Cavite were under the general CQ ("GCQ") (third phase) from June 1 to August 3, and with the increasing number of cases, they were temporarily put back to modified ECQ ("MECQ") (second phase) from August 4 to August 18. Onwards, Metro Manila, Bulacan, Batangas, Tacloban and Bacolod continue to be under GCQ while most of the county are already in the most relaxed MGCQ (fourth phase). Earlier in January, the Taal Volcano eruption immediately put Batangas and Cavite under a state of calamity and a month later, the whole of Calabarzon. It is in this general background that the Group operated its first nine months of the year.

*Key Performance Indicators – Top Five*

| *In Million Pesos* | M9 2020 | M9 2019 | Q3 2020 | Q3 2019 | Q2 2020 | Q2 2019 | Q1 2020 | Q1 2019 |
|---|---|---|---|---|---|---|---|---|
| REVENUES | 91,781 | 127,009 | 30,401 | 44,196 | 23,346 | 41,764 | 38,034 | 41,048 |
| NET PROFIT | 6,353 | 19,333 | 2,210 | 6,815 | 156 | 5,996 | 3,987 | 6,523 |
| NET PROFIT TO OWNERS | 5,828 | 12,828 | 2,030 | 4,727 | 838 | 3,749 | 2,960 | 4,352 |
| Revenue Growth [yoy] | -27.7% | 15.5% | -31.2% | 89.3% | -44.1% | 12.0% | -7.3% | 19.3% |
| Net Profit Growth [yoy] | -67.1% | 0.6% | -67.6% | 4272.7% | -97.4% | -11.9% | -38.9% | 15.7% |
| NP Attributable to Owners Growth [yoy] | -54.6% | 3.7% | -57.0% | 464.3% | -77.7% | -11.1% | -32.0% | 21.0% |
| Net profit rate | 6.9% | 15.2% | 7.3% | 15.4% | 0.7% | 14.4% | 10.5% | 15.9% |
| NP Attributable to Owners | 6.4% | 10.1% | 6.7% | 10.7% | 3.6% | 9.0% | 7.8% | 10.6% |
| Return on investment/assets [NP/TA] | 1.0% 9mos | 3.2% 9mos | 0.3% qtr | 1.1% qtr | | | r | |
| | Sep 30, 2020 | Jan-Sep 2020 change | % | | Jun 30, 2020 | | Mar 31, 2020 | Dec 31, 2019 |
| TOTAL ASSETS | 669,405 | 24,928 | 3.9% | | 645,279 | | 648,193 | 644,476 |
| CURRENT ASSETS | 317,943 | 16,766 | 5.6% | | 295,878 | | 301,036 | 301,176 |
| CURRENT LIABILITIES | 138,624 | 7,925 | 6.1% | | 132,682 | | 130,372 | 130,699 |
| Current ratio | 2.3 | | | | 2.2 | | 2.3 | 2.3 |
| Quick ratio | 1.1 | | | | 1.0 | | 1.0 | 1.1 |
| | M9 2020 | M9 2019 | Q3 2020 | Q3 2019 | Q2 2020 | Q2 2019 | Q1 2020 | Q1 2019 |
| Profit before tax and interest | 15,234 | 29,847 | 5,075 | 10,416 | 2,769 | 9,564 | 7,390 | 9,867 |
| Interest expense | 5,044 | 4,333 | 1,671 | 1,451 | 1,698 | 1,404 | 1,675 | 1,479 |
| Interest coverage rate | 3.0 | 6.9 | 3.0 | 7.2 | 1.6 | 6.8 | 4.4 | 6.7 |

- Revenue growth – measures the percentage change in sales/revenues over a designated period. Performance is measured in terms of both amount and volume, where applicable.
- Net profit growth – measures the percentage change in net profit over a designated period of time
- Net profit rate – computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs
- Return on investment [or capital employed] – the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net income
- Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash, marketable securities, accounts receivables] is divided by current liabilities
- Interest coverage ratio - computed as profit before tax and interest expense divided by interest expense -measures the business' ability to meet its interest payments.

*Results of Operations – First Nine Months 2020 vs 2019*

**The Group** delivered a better third quarter than the preceding quarter across all business segments – with consolidated revenues, net profit and net profit to owners respectively surging 30%, 1318% and 142% quarter-on-quarter ("QoQ") to P30.4billion, P2.2 billion, and P2.0 billion, respectively. More places were put under the medium or less restrictive phases of lockdown (gradually started on May 16) which ramped up business activities. Yet, the third quarter results as well as year-to-date results were still behind comparable periods a year ago.

For the first nine months, revenues dipped 28% year-on-year ("YoY") to P91.8 billion from P127.0 billion a year ago as the country traversed to the different phases of lockdown from the strictest two-month ECQ. Net profit sank 67% to P6.4 billion from P19.3billion a year ago, with the portion attributable to owners sliding 55% to P5.8 billion from P12.8 billion. The Group has diversified sources of revenues, either by type of products or by geographic contribution, that helped mitigate the impact of the pandemic-related lockdown restrictions..

*By business segments, as represented by the major subsidiary groups:*

| *In Million Pesos* | MEG | EMP | RWM | GADC | Others | TOTAL |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| **Revenues** | 32,690 | 34,349 | 8,845 | 14,340 | 10,448 | 100,672 |
| Intercompany/ Adjusments | -310 | -15 | -200 | | -8,366 | |
| Consolidated | **32,380** | **34,334** | **8,645** | **14,340** | **2,082** | **91,781** |
| % contribution | 35.28% | 37.41% | 9.42% | 15.62% | 2.27% | 100.00% |
| **Costs and expenses** | 21,803 | 27,506 | 14,246 | 15,271 | 3,113 | 81,940 |
| Intercompany/ Adjustments | | -111 | -145 | -78 | -15 | |
| Consolidated | **21,803** | **27,395** | **14,101** | **15,193** | **3,098** | **81,591** |
| **Tax Expense** | **2,774** | **960** | **40** | **44** | **18** | **3,837** |
| **Net profit** | 8,113 | 5,882 | -5,442 | -975 | 7,317 | 14,895 |
| Intercompany/ Adjustments | -310 | 96 | -55 | 78 | -8,351 | |
| Consolidated | **7,803** | **5,978** | **-5,496** | **-897** | **-1,035** | **6,353** |
| % contribution | 122.82% | 94.10% | -86.51% | -14.12% | -16.29% | 100.00% |
| **Net profit to owners** | 7,416 | 5,869 | -5,438 | -967 | 7,317 | 14,196 |
| Intercompany/ Adjustments | -2,452 | -834 | 2,698 | 571 | -8,351 | |
| Consolidated | **4,964** | **5,035** | **-2,741** | **-396** | **-1,035** | **5,828** |
| % contribution | 85.17% | 86.39% | -47.02% | -6.79% | -17.75% | 100.00% |
| **2019** | | | | | | |
| **Revenues** | 47,947 | 33,722 | 21,607 | 23,209 | 3,603 | 130,088 |
| Intercompany/ Adjustments | -265 | -30 | -411 | | -2,374 | |

| *In Million Pesos* | MEG | EMP | RWM | GADC | Others | TOTAL |
|---|---|---|---|---|---|---|
| Consolidated | **47,682** | **33,692** | **21,196** | **23,209** | **1,229** | **127,009** |
| % contribution | 38% | 27% | 17% | 18% | 1% | 100% |
| **Costs and expenses** | 29,575 | 27,573 | 20,727 | 21,526 | 2,371 | 101,772 |
| Intercompany/ Adjustments | | -25 | -166 | -78 | -7 | |
| Consolidated | **29,575** | **27,548** | **20,561** | **21,448** | **2,364** | **101,496** |
| **Tax Expense** | **4,687** | **845** | **98** | **519** | **32** | **6,180** |
| **Net profit** | 13,685 | 5,304 | 783 | 1,165 | 1,200 | 22,136 |
| Intercompany/ Adjustments | -265 | -4 | -245 | 78 | -2,367 | |
| Consolidated | **13,420** | **5,299** | **538** | **1,242** | **-1,167** | **19,333** |
| % contribution | 69% | 27% | 3% | 6% | -6% | 100% |
| **Net profit to owners** | 12,797 | 5,271 | 786 | 1,169 | 1,200 | 21,222 |
| Intercompany/ Adjustments | -4,019 | -830 | -643 | -519 | -2,383 | |
| Consolidated | **8,778** | **4,441** | **142** | **651** | **-1,184** | **12,828** |
| % contribution | 68% | 35% | 1% | 5% | -9% | 100% |
| **Year-on-year Change Consolidated** | | | | | | |
| Revenues | -32.09% | 1.90% | -59.21% | -38.21% | 69.38% | -27.74% |
| Costs and expenses | -26.28% | -0.55% | -31.42% | -29.17% | 31.08% | -19.61% |
| Tax Expense | -40.82% | 13.67% | -58.78% | -91.46% | -43.39% | -37.91% |
| Net profit | -41.85% | 12.81% | -1122% | -172% | -11.33% | -67.14% |
| Net profit to owners | -43.45% | 13.39% | -2024% | -161% | -12.59% | -54.56% |

*Notes:* - Numbers may not add up due to rounding. Percentages are taken based on full numbers, not from the presented rounded amounts.
- At AGI consolidated level, as presented above, revenues and costs and expenses may differ from the totals separately reported by subsidiaries as there may be items reclassified from/to revenues to/from costs or expenses at AGI consolidated level

At the separate segment levels, here are how they performed:
*(Please note, segment numbers in this discussion may not tie-up table above, due to reclassifications at consolidated level.)*

**Megaworld**, one of the country's property giants, reported third quarter revenues of P9.5 billion and net profit to owners of P2.2 billion which were respectively 9% and 7% higher QoQ, as business activities re-opened with the easing of government lockdown restrictions. Revenues for the nine-month period skidded 31% YoY to P33.3 billion while net profit to owners declined 42% to P7.4 billion as core businesses got affected by months of strict lockdowns.

**Real estate** sales in the third quarter increased 1% QoQ to P4.7 billion and reservation sales remained strong, particularly in its horizontal residential projects, in spite of limited selling activities and challenges in constructions. Sales for the first nine months, however, slipped 38% to P19.1 billion. The current product mix for Megaworld-GERI-Empire East-Suntrust/SLI brands was 55%-16%-16%-13%. About 70% of sales were derived from Metro Manila, with sales growths recorded for projects in Quezon City/Pasig City, Pampanga, Bacolod and Aklan. This indicates a strength in housing demand, particularly in the middle- to high-income segment of the market. Megaworld also implemented more flexible payment terms during the lockdown period. **Leasing** revenues, which accounted for 32% of current revenues, grew 13% QoQ to P3.4 billion in the third quarter, anchored on 6% growth QoQ in office rentals to P3 billion. Office rentals under Megaworld Premier Offices were up 11% YoY in the third quarter, bringing year-to-date office rentals to rise 11% YoY to P8.6 billion. Meanwhile, mall revenues under Megaworld Lifestyle Malls grew 117% QoQ to P0.4 billion as relaxed lockdown protocols allowed people to start shopping and dining in malls. Megaworld Lifestyle malls still offered rental discounts to its retail and merchant partners. Megaworld helped affected mall tenants by waiving rental charges during the stricter lockdown when non-essential mall tenants temporarily closed shop. Year-to-date, rentals from both office and mall businesses totaled P10.6 billion, still 15% short YoY. **Hotel** revenues from Megaworld Hotels were down 38% YoY P1.2 billion for the first nine months because of the travel bans and lockdown restrictions set by the government on operations. The Megaworld Hotels, which consist of 10 hotel properties under homegrown brands Richmonde, Belmont, Savoy, Twin Lakes and Lucky Chinatown, continued serving pre-booked guests from BPO companies as well as balikbayans and frontliners during the lockdown.

Resort hotels have slowly reopened to cater primarily to local guests. Since dine-in is still restricted, Megaworld hotels began offering curated gourmet meals that are available for pick-up, take-out and delivery (Richmonde's Black Box express, Café Belmont's B on the Go, Savoy Café's Out of the Box).

These operating results brought in 35%, 123% and 85% to AGI's consolidated revenues, net profit and net profit attributable to owners, respectively.

**Emperador**, the world's largest brandy company and owner of the world's 5th largest Scotch whisky manufacturer, continued to exhibit robust performance amidst the pandemic, attesting to the strength of its diversified brands and global operations. Third quarter revenues jumped 19% QoQ and 4.5% YoY to P12.9 billion while net profit to owners soared 36% QoQ and 26% YoY to P2.5 billion, bolstered by a flourishing international business. With very limited on-trade and travel retail, restricted air and sea ports in most countries, and liquor bans, the Group took advantage of the buoyant off-trade and e-commerce channels as well as new open markets to do business. The Group ended the first nine months of the year with net profit to owners rising 11% YoY to P5.9 billion and revenues escalating 2% to P34.5 billion. Gross profit (37%) and net profit (20%) margins had improved QoQ. Gross profit margins for the quarter (37%) and year-to-date (35%) were healthy although slightly down as compared to same periods last year because of product mix. Net profit rates for the quarter (20%) and year-to-date (17%) were higher than comparable periods last year.

The **Brandy segment** delivered P8.6 billion revenues to external customers and P1.5 billion net profit to owners in the third quarter, up 17% and 32% QoQ, respectively, as borders started opening up. Year-to-date, net profit to owners rose 4% to P3.9 billion, in spite of a 3% fall in revenues to external customers recorded at P23.5 billion as compared to P24.1 billion a year ago. The two-month hard lockdown from mid-March up to mid-May, when local production and distribution were completely suspended in compliance with government directive, plus the liquor bans imposed in most localities affected interim results. While Bodegas Fundador was able to continue its regular production and distribution in Jerez, on-trade sales was impacted but off-trade and e-commerce were strong and international market resilient. When borders began opening up in June, sales picked up in Europe, Asia and Americas. The segment's gross profit margin slightly improved from a year ago due to product mix. The improved GP and the lower operating expenditures lifted net profit and net profit rate.
The **Scotch Whisky segment** registered a 19% surge in revenues to external customers in the third quarter which totaled P4.3 billion, 22% higher QoQ, to end the first nine months with P11.0 billion total revenues, up 13% YoY. UK's off-trade and e-commerce demands have grown as customers stay local, prompting sales, especially of Whyte&Mackay Blended, Tamnavulin and Harvey's, to soar in the first nine months. There was a strong demand in Asia for The Dalmore and Fettercairn as markets opened up. While European, African and the Middle Eastern markets were still at various stages of lockdown during the period, Americas and developing markets have shown good growth and increased product listings for Dalmore, Jura and Tamnavulin. Travel Retail, however, has not yet bounced back as most airports have remained closed. The segment made year-to-date gross profit margin of 37% as compared to 43% a year ago due to sales mix as the standard (low-margin) products sold popularly during the first nine months. Gross profit margin in the third quarter improved to 40% due to high-margin products in the mix. Tight control on strategic marketing and other operating expenses (normally associated with on-trade and Travel Retail) boosted net profit and net profit rates.

For the first nine months of the year, Emperador group contributed 37% to AGI's consolidated revenues, 94% to consolidated net profit, and 86% to consolidated net profit attributable to AGI owners.

**Travellers,** the owner and operator of Resorts World Manila (RWM), among all the business segments, was hit the hardest by the pandemic-related measures imposed by the government during the stricter lockdowns that closed most businesses it has in RWM which are considered non-essential, such as the gaming, theater and meeting areas, while the hotels were able to receive guests only as allowed under the government rules. These disruptions resulted in 59% decline YoY in the group's revenues for the nine-month period to P8.8 billion, not enough to support the costs and expenses that pulled down net profit 9times from P0.8 billion a year ago to end with P5.4 billion in the red. RWM, however, did better in the third quarter as compared to the previous quarter due to the easement of lockdown protocols - revenues shot up 275% QoQ to P2.7 billion and net profit improved 36% to minus P1.7 billion.

**Gaming** net revenues plunged 61% year-on-year to P6.4 billion as gaming operations were suspended from mid-March in compliance with the lockdown measures set by the government. With the easing of government restrictions, Travellers had a limited dry run of gaming activity under the supervision of PAGCOR in the third quarter so that quarter gaming net revenues soared 553% QoQ to P2.1 billion.
**Non-gaming** revenues in the third quarter went up 15% QoQ to P0.4 billion as the mall, retail outlets and cinemas re-opened. Year-to-date non-gaming revenues downscaled 53% YoY to P4.6 billion due to foot traffic decline. The theater, cinemas and retail outlets were closed and MICE activities stopped during the ECQ and reopened under restricted protocols. Hotel operations, however, managed to continue operations at limited capacity, following government-mandated restrictions. New service offerings were tapped to improve occupancy rates, including WFH (Work from Hotel) packages, special staycation packages for frontliners and locally stranded individuals, and virtual meeting packages plus the E-Concierge mobile app. Occupancy rates of the five hotels ranged 37% to 63% in the first half (55%-67% for the first quarter; 29%-60% first half). Meanwhile, Courtyard by Marriott in Iloilo registered 39% occupancy during the period. Since dine-in is still restricted, RWM hotels offered curated special meals that are available for takeout and delivery while the signature restaurants delivered favorite dishes through RWM's Delishvery.

Travellers group accounted for 9% of AGI's consolidated revenues, but took away 87% and 47% of consolidated net profit and consolidated net profit attributable to owners of AGI, respectively.

**GADC**, the master franchise holder of McDonald's in the Philippines and a strategic partnership with the George Yang group, grew third quarter revenues by 59% to P4.6billion and 68% better bottom line QoQ as more restaurant reopened, dine-in capacity increased and operating hours lengthened due to easing of government lockdown protocols. The curfew hours were shortened in major cities but the limited hours continued to affect after-dinner eating occasions and mall visits that used to be incremental growth drivers. Low store traffic persisted in third quarter with comparable store guest count down 60%. Year-to-date revenues reached P14.3 billion which were 38% behind last year's P23.2 billion, with system wide sales decelerating 39% from a year ago and same-store sales dipping 42% YoY. Net profit slid from P1.2 billion to close to P1.0 billion in the red in the first nine months of the year. The low results were the effects of the long-standing quarantine restrictions (in different phases) nationwide that cut customer visits in the stores and put constraints in operations and customer spending. Being in the food service, which is an essential business, McDonald's restaurants operated for delivery, drive-through and take-out orders, with limited or no dine-in at all (depending on degree of lockdown in the locality), at limited hours (due to curfew) and menu (due to available ingredients) during the quarantine. When dine-in and large gatherings were not allowed, about 38% of stores remained operational initially and went up eventually as the restrictions gradually eased. By the end of the interim period, about 95% of stores have re-opened. In GCQ and modified GCQ areas, dine-in were allowed at 30% capacity and 50% capacity, respectively, with the 1.5-meter physical distancing strictly enforced. As customers shifted to less-contact channels, McDelivery service and drive-through continued to be growth drivers accounting for about 24% and 40% of third-quarter system wide sales. Digital channels through McDonald's app, Grab Food, Food Panda and LalaFood showed good support.

The number of **restaurants** by the end of September totaled 658, as 5 new restaurants were opened and 15 underperforming ones closed during the third quarter, or total of 10 openings and 21 closings during the last nine months. **New promotional campaigns** created additional trial and repeat visits from customers during the period. McShare Box bundles featuring Spicy Chicken McDo promoted large purchases, and the Chicken Value campaign started bringing Chicken McDo Solo and McCrispy Chicken Fillet at more affordable prices.

These operating results translated into 16% contribution to consolidated revenues and took away 14% and 7% from consolidated net profit and net profit to owners of AGI, respectively.

*By profit and loss accounts:*

The preceding discussions are reflected in the consolidated profit and loss accounts, as shown below:

| *In Million Pesos* | M9 2020 | M9 2019 | YoY % | Q3 2020 | Q3 2019 | YoY % | QoQ % |
|---|---|---|---|---|---|---|---|
| REVENUES | | | | | | | |
| Sale of goods | 53,704 | 64,855 | -17.2% | 17,822 | 23,026 | -22.6% | 13.9% |
| Consumer goods | 34,643 | 34,138 | 1.5% | 13,073 | 12,469 | 4.9% | 19.5% |
| Revenues from real estate (RE) sales | 19,060 | 30,717 | -38.0% | 4,748 | 10,557 | -55.02% | 1.0% |
| Rendering of services | 34,519 | 58,616 | -41.1% | 10,591 | 20,048 | -47.2% | 51.8% |
| Gaming | 9,335 | 20,851 | -55.2% | 3,218 | 7,315 | -56.0% | 469% |
| Less: Promotional allowance | 2,905 | 4,422 | -34.3% | 1,160 | 1,475 | -21.4% | 364% |
| Net Gaming | 6,430 | 16,429 | -60.9% | 2,059 | 5,840 | -64.7% | 553% |
| Sales by company-operated quick-service restaurant | 12,858 | 20,581 | -37.5% | 4,117 | 6,688 | -38.5% | 55.4% |
| Franchise revenues | 1,327 | 2,514 | -47.2% | 371 | 973 | -61.9% | 25.1% |
| Rental income | 10,661 | 12,778 | -16.6% | 3,376 | 4,386 | -23.0% | 14.1% |
| Other services | 3,243 | 6,315 | -48.6% | 670 | 2,160 | -69.0% | -11.5% |
| Hotel operations | 2,685 | 5,380 | -50.1% | 516 | 1,788 | -71.2% | -15.0% |
| Other services | 559 | 935 | -40.2% | 154 | 372 | -58.6% | 2.8% |
| Share in net profits of associates and joint ventures | 16 | 204 | -92.2% | -50 | 41 | -222.9% | -633% |
| Finance and other income | 3,543 | 3,334 | 6.3% | 2,037 | 1,082 | 88.3% | 183.9% |
| TOTAL | 91,781 | 127,009 | -27.7% | 30,401 | 44,196 | -31.2% | 30.2% |
| COSTS AND EXPENSES | | | | | | | |
| Cost of goods sold | 33,216 | 38,663 | -14.1% | 10,956 | 13,385 | -18.1% | 11.1% |
| Consumer goods sold | 22,633 | 21,783 | 3.9% | 8,237 | 7,590 | 8.5% | 13.4% |
| RE sales | 10,583 | 16,880 | -37.3% | 2,719 | 5,795 | -53.1% | 4.6% |
| Cost of services | 20,195 | 30,590 | -34.0% | 6,081 | 10,393 | -41.5% | 19.2% |
| Gaming | 4,389 | 7,587 | -42.2% | 1,300 | 2,371 | -45.2% | 55.1% |
| Services | 15,805 | 23,003 | -31.3% | 4,781 | 8,022 | -40.4% | 12.1% |
| Other operating expenses | 21,712 | 27,086 | -19.8% | 7,223 | 9,693 | -25.5% | 29.9% |
| Selling and marketing | 7,773 | 11,520 | -32.5% | 2,316 | 4,219 | -45.1% | 27.6% |
| General and administrative | 13,939 | 15,566 | -10.5% | 4,906 | 5,474 | -10.4% | 31.0% |
| Finance costs and other charges | 6,467 | 5,157 | 25.4% | 2,737 | 1,760 | 55.6% | 56.6% |
| TOTAL | 81,591 | 101,496 | -19.6% | 26,997 | 35,231 | -23.4% | 21.2% |
| TAX EXPENSE | 3,837 | 6,180 | -37.9% | 1,193 | 2,151 | -44.5% | 30.4% |
| NET PROFIT | 6,353 | 19,333 | -67.1% | 2,210 | 6,815 | -67.6% | 1318% |
| NET PROFIT ATTRIBUTABLE TO OWNERS | 5,828 | 12,828 | -54.6% | 2,030 | 4,727 | -57.1% | 142% |

*Note:* Numbers may not add up due to rounding off.

**Revenues** in the third quarter expanded 30% QoQ to P30.4 billion as more business activities were allowed under less stricter lockdown rules, ending the nine-month period with P91.8 billion

revenues, down 28% from a year ago. **Sales of goods** (real estate, alcoholic beverages and snack products) increased 14% QoQ in the third quarter to P17.8 billion, yet year-to-date sales decreased 17% YoY as real estate sales contracted 38% while sales of consumer goods improved 1.5%. **Service revenues** (gaming, hotels, quick-service restaurants, cinemas and theaters, leasing, hotels and other related services) escalated 52% QoQ in the third quarter to P10.6 billion while year-to-date revenues de-escalated 41% or P34.5 billion due to combined reductions in businesses.
**Share in net profits of associates and joint ventures** for the nine-month period was 92% lower YoY, reflecting lower net profit by associates and joint ventures.

**Costs and expenses** fell 20% to P81.6 billion during the current year from P101.5 billion a year ago. **Cost of goods sold** contracted 14% to P33.2 billion, **cost of services** shrank 34% to P20.2 billion and **other operating expenses** reduced 20% to P21.7 billion.

**Finance and other income** increased 6% to P3.5 billion from investment income in the current period. **Finance costs and other charges**, on the other hand, increased 25% to P6.5 billion from higher interests on loans of GADC and Travellers during the period.

**Income tax** dropped 38% to P3.8 billion due to lower taxable income of Megaworld, GADC and Trvellers.

**Earnings before interest, taxes, depreciation and amortizations (EBITDA)**, computed as net profit before income taxes, interest expense, depreciation and amortizations were 37% lower year-on-year to P22.9 billion this year as compared to P36.1 billion a year ago, exhibiting 25% and 28% EBITDA rate, respectively.

**Net profit attributable to owners** amounted to P5.8 billion from P12.8 billion a year ago, slashed 55% YoY because of the foregoing.

*Financial Condition*

**Consolidated total assets** amounted to P669.4billion at end of the interim period from P644.5 billion at beginning of year. The Group is liquid with **current assets** exceeding **current liabilities** 2.3times at the end and beginning of the year. Current assets amounted to P317.9 billion while current liabilities amounted to P138.6 billion at end of the interim period.

**Cash and cash equivalents** swelled by P22.5 billion or 44% ending at P73.8 billion from P51.3 billion at the beginning of the year, primarily from proceeds of bonds and bank loans. Cash flows from operating, financing and investing activities during the period were presented in the interim consolidated statements of cash flows.

**Current trade and other receivables** decreased 6% or P4.2 billion from collections mostly from debtors of Emperador, who had larger balances at year-end due to purchases in the lead up to the Christmas period; while **non-current** increased 12% or P2.0 billion from new debtors of Megaworld.

**Contract assets** which represent the reclassified portion of trade and other receivables relating to rights to payment which are conditioned upon the completion of units sold and represent excess of progress of work over the right to an amount of consideration, went up 6% or P0.6 billion for **currently** maturing assets while the **non-currently** maturing assets went up 23% or 1.8 billion.

**Financial assets at fair value through profit or loss** were reduced 15% or P1.8 billion due to net disposals during the interim period.

**Financial assets at fair value through other comprehensive income** increased 87% or P0.4 billion from new investment during the interim period.

**Other non-current assets** increased 16% or P1.1 billion mainly from higher deferred commissions of Megaworld and other assets of Travellers.

**Current interest-bearing loans** accelerated 9% or P3.5 billion while **non-current interest-bearing loans** decelerated 3% or P4.6 billion from payments of maturing obligations, net of new availments.

**Trade and other payables** rose 7% or P4.6 billion from increased investments.

**Contract liabilities** represent MEG's excess of collection over the progress of work with **current** portion surging 51% or P0.9 billion and **non-current portion** surging 7% or P0.2 billion as projects are completed during the interim period.

**Income tax payable** dropped 47% or P1.1 billion due to timing of payments and tax credits. Both the fourth and first quarters' payable fell due in the second quarter.

**Advances from related parties** were reduced 16% or P0.4 billion due to payments made by MEG during the interim period.

**Bonds payable** increased 65% or P15.9 billion from bonds of Megaworld.

**Retirement benefit obligation** went up 13% or P0.3 billion mainly from the actuarial booked in UK in the interim period, of Travellers and Megaworld as well.

**Redeemable preferred shares** increased 6% of P0.1 billion from McDonald's.

**Non-current deferred tax liabilities** increased by almost 5% or P0.8 billion from timing differences in Megaworld.

**Other non-current liabilities** expanded 47% or P7.2 billion from Travellers' obligations.

The **changes in equity components** are presented in detail in the interim consolidated statements of changes in equity.

*Liquidity and Capital Resources*

The consolidated statements of financial position showed strong liquidity with current assets exceeding current liabilities 2.3times. The interim period opened and closed with 1.2:1 and 1.3:1 total-liabilities-to-equity ratio and 0.7:1 interest-bearing-debt-to-equity ratio. Assets exceeded liabilities nearly 2times, and equity 2times as well at the beginning and end of the interim period.

In general, working capital and investing expenditures during the period were sourced internally from operations. The Group may also from time to time seek other sources of funding, if necessary, depending on its financing needs and market conditions. The Group availed of new bank loans and issued bonds during the interim period.

| *Amounts in Million Pesos* | Sep 30, 2020 | Dec 31, 2019 |
|---|---|---|
| Cash and equivalents | 73,752 | 51,271 |
| FVTPL/FVOCI financial assets | 11,012 | 12,462 |
| Total Available | 84,763 | 63,732 |
| Interest-bearing debt –current | 44,347 | 40,870 |
| Interest-bearing debt- noncurrent | 174,183 | 162,907 |
| Equity-linked securities- non- current* | 3,444 | 5,280 |
| Total Debt | 221,974 | 209,057 |
| Net cash (-debt) | -137,211 | -145,325 |
| Available Cash and financial assets to Total Debt | 38% | 30% |
| Total Debt to total equity | 75% | 70% |

*Presented under Other Non-current liabilities

*Prospects for the future*

As the disruptions brought about by COVID-19 continue to be less restrictive, similar to most businesses in the country, the Group is expecting to see year-on-year improvements continuing in the coming periods in keeping with the country's economic growth trajectory. The ultimate impact of the pandemic is still highly uncertain and evolving.

Considering the government actions to mitigate the economic, social and health risks associated with the pandemic, the Group is putting measures in place to ensure the safety and well-being of its employees, customers, suppliers and other stakeholders and to adapt in this new normality. The Group has accelerated its innovation and digital transformation strategies across businesses. These involve e-commerce applications, interactive customer service management, cashless and contactless online transactions, among others.

The Group is ever vigilant for new opportunities as it taps on its innovative knack in this challenging period.

The global health crisis has brought new learnings that modified product offerings and acquired new skills to adapt to the changes in customer behavior.

The Group has a proven record of creating value over time and is confident in its ability to bounce back to deliver sustainable profitable growth and value for its stakeholders. AGI looks forward to resuming the growth trajectory of all the business segments towards the Group's success backed by its overall resilience, strong financial foundation and prudent operational management. AGI spotlights a five-point strategy aimed at the conglomerate's recovery: sustainability and well-being; earnings diversity; digitalization; financial flexibility; and adaptability.

To heal as one nation in this pandemic time, the Group has contributed to various efforts in the Philippines' fight against COVID-19.

*Others*

There were no known material events subsequent to the end of the interim period that would have a material impact in the interim period.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. The Company does not have nor anticipate having any cash flow or liquidity problems within the year. AGI and its subsidiaries are not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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

There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

There were no other material issuances, repurchases or repayments of debt and equity securities.

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

## ***SIGNATURE***

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

**Alliance Global Group, Inc.**
*Issuer*
By:

DINA D.R. INTING
*Chief Financial Officer/*
*Corporate Information Officer/*
*Principal Accounting Officer*
November 13, 2020

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**
**September 30, 2020**

| Ratio | Formula | 9/30/2020 | 12/31/2019 |
|---|---|---|---|
| Current ratio | Current assets / Current liabilities | 2.29 | 2.30 |
| Acid test ratio | Quick assets / Current liabilities (Quick assets include cash and cash equivalents, trade and other receivables and financial assets at fair value through profit or loss) | 1.11 | 1.05 |
| Debt-to-equity ratio | Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings, bonds payable and equity-linked debt securities) | 0.75 | 0.70 |
| Asset-to-equity ratio | Total assets / Total stockholders' equity | 2.27 | 2.17 |
| | | **9/30/2020** | 9/30/2019 |
| Interest rate coverage ratio | EBIT / Total Interest (Non-recurring gain is excluded from EBIT) | 2.43 | 6.84 |
| Solvency ratio | EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds payable ) | 0.09 | 0.17 |
| Return on investment | Net profit / Total stockholders' equity | 0.02 | 0.07 |
| Return on investment of equity owners | Net profit attributable to owners of the Parent Company / Equity attributable to the owners of the Parent Company | 0.03 | 0.07 |
| Return on assets | Net profit / Total assets | 0.01 | 0.03 |
| Net profit margin | Net profit / Total revenues | 0.07 | 0.15 |

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**SEPTEMBER 30, 2020 AND DECEMBER 31, 2019**
***(Amounts in Philippine Pesos)***

| | | September 30, 2020 (UNAUDITED) | | December 31, 2019 (AUDITED) |
|---|---|---|---|---|
| **A S S E T S** | | | | |
| **CURRENT ASSETS** | | | | |
| Cash and cash equivalents | **P** | **73,751,782,939** | P | 51,270,580,951 |
| Trade and other receivables - net | | **69,523,709,102** | | 73,766,084,747 |
| Contract assets | | **11,486,978,219** | | 10,857,180,128 |
| Financial assets at fair value through profit or loss | | **10,231,856,107** | | 12,045,110,108 |
| Inventories - net | | **135,807,556,093** | | 135,869,915,236 |
| Other current assets | | **17,140,915,230** | | 17,367,583,144 |
| Total Current Assets | | **317,942,797,690** | | 301,176,454,314 |
| **NON-CURRENT ASSETS** | | | | |
| Trade and other receivables - net | | **18,411,713,904** | | 16,406,358,749 |
| Contract assets | | **9,601,017,651** | | 7,785,824,559 |
| Advances to landowners and joint operators | | **7,263,762,603** | | 7,058,884,461 |
| Financial assets at fair value through other comprehensive income | | **779,848,572** | | 416,657,341 |
| Investments in associates and joint ventures | | **6,595,154,164** | | 6,558,943,348 |
| Property, plant and equipment - net | | **137,398,836,799** | | 136,262,546,247 |
| Investment properties - net | | **115,282,494,421** | | 112,338,187,564 |
| Intangible assets - net | | **38,611,085,287** | | 39,943,371,103 |
| Deferred tax assets - net | | **5,360,992,136** | | 5,477,329,211 |
| Other non-current assets | | **8,127,169,444** | | 7,021,891,772 |
| Total Non-current Assets | | **347,432,074,981** | | 339,269,994,355 |
| **NON-CURRENT ASSET HELD FOR SALE** | | **4,029,879,798** | | 4,029,879,798 |
| **TOTAL ASSETS** | **P** | **669,404,752,469** | P | 644,476,328,467 |

| | | September 30, 2020 (UNAUDITED) | | December 31, 2019 (AUDITED) |
|---|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | | |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | **P** | **65,956,789,205** | P | 61,394,887,255 |
| Interest-bearing loans | | **44,346,911,736** | | 40,869,676,836 |
| Lease liabilities | | **1,331,224,213** | | 1,297,248,962 |
| Contract liabilities | | **2,564,918,128** | | 1,703,947,321 |
| Income tax payable | | **1,271,034,326** | | 2,387,377,900 |
| Redeemable preferred shares | | **251,597,580** | | 251,597,580 |
| Advances from related parties | | **1,879,459,875** | | 2,244,180,653 |
| Other current liabilities | | **21,021,741,342** | | 20,550,029,609 |
| Total Current Liabilities | | **138,623,676,405** | | 130,698,946,116 |
| **NON-CURRENT LIABILITIES** | | | | |
| Interest-bearing loans | | **133,667,474,418** | | 138,283,436,876 |
| Bonds payable | | **40,515,706,185** | | 24,623,883,690 |
| Lease liabilities | | **14,180,827,266** | | 14,623,215,469 |
| Contract liabilities | | **3,764,334,953** | | 3,509,607,722 |
| Retirement benefit obligation | | **2,478,352,793** | | 2,201,371,108 |
| Redeemable preferred shares | | **1,681,605,880** | | 1,580,915,329 |
| Deferred tax liabilities - net | | **17,159,904,720** | | 16,374,273,704 |
| Other non-current liabilities | | **22,675,090,074** | | 15,463,882,949 |
| Total Non-current Liabilities | | **236,123,296,289** | | 216,660,586,847 |
| Total Liabilities | | **374,746,972,694** | | 347,359,532,963 |
| **EQUITY** | | | | |
| Equity attributable to owners of the parent company | | **180,177,756,549** | | 179,373,807,626 |
| Non-controlling interest | | **114,480,023,226** | | 117,742,987,878 |
| Total Equity | | **294,657,779,775** | | 297,116,795,504 |
| **TOTAL LIABILITIES AND EQUITY** | **P** | **669,404,752,469** | P | 644,476,328,467 |

***See Notes to Interim Consolidated Financial Statements.***

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
***(Amounts in Philippine Pesos)***
***(UNAUDITED)***

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Year-to-Date** | **Quarter** | Year-to-Date | Quarter |
| **REVENUES AND INCOME** | | | | |
| Sale of goods | **P 53,703,554,727** | P 17,821,790,720 | P 64,854,859,232 | P 23,026,015,330 |
| Rendering of services | **34,518,794,812** | 10,591,415,974 | 58,615,978,991 | 20,047,919,164 |
| Share in net profits (losses) of associates and joint ventures - net | **15,896,592** | ( 49,804,980 ) | 203,915,384 | 40,534,374 |
| Finance and other income | **3,542,775,029** | 2,037,197,254 | 3,334,284,936 | 1,081,771,468 |
| | **91,781,021,160** | 30,400,598,968 | 127,009,038,543 | 44,196,240,336 |
| **COSTS AND EXPENSES** | | | | |
| Cost of goods sold | **33,216,415,014** | 10,956,325,917 | 38,662,970,182 | 13,385,004,971 |
| Cost of services | **20,194,669,566** | 6,080,771,260 | 30,590,168,711 | 10,392,790,268 |
| Other operating expenses | **21,712,350,984** | 7,222,510,911 | 27,085,822,231 | 9,693,154,450 |
| Finance costs and other charges | **6,467,083,191** | 2,737,181,595 | 5,156,565,964 | 1,759,599,106 |
| | **81,590,518,755** | 26,996,789,683 | 101,495,527,088 | 35,230,548,795 |
| **PROFIT BEFORE TAX** | **10,190,502,405** | 3,403,809,284 | 25,513,511,455 | 8,965,691,541 |
| **TAX EXPENSE** | **3,837,119,349** | 1,193,313,985 | 6,180,374,876 | 2,151,152,190 |
| **NET PROFIT** | **6,353,383,056** | 2,210,495,299 | 19,333,136,579 | 6,814,539,351 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | |
| Actuarial gain (loss) on remeasurement of retirement benefit obligation | **( 266,765,000 )** | ( 6,352,600 ) | 594,216,898 | 199,544,146 |
| Net unrealized fair value gain (loss) on financial assets at fair value through other comprehensive income | **( 109,827,948 )** | ( 104,696,946 ) | 25,692,555 | 5,639,635 |
| Deferred tax expense relating to components of other comprehensive income | **( 45,540,625 )** | ( 364,325 ) | ( 94,610,100 ) | ( 32,696,950 ) |
| | **( 422,133,573 )** | ( 111,413,871 ) | 525,299,353 | 172,486,831 |
| **Items that will be reclassified subsequently to profit or loss** | | | | |
| Translation adjustments | **( 1,198,021,828 )** | 755,087,902 | ( 828,433,276 ) | 1,276,266,618 |
| Net unrealized fair value loss on cash flow hedge | **( 123,105,728 )** | 69,239,308 | ( 277,570,194 ) | ( 97,987,471 ) |
| | **( 1,321,127,556 )** | 824,327,210 | ( 1,106,003,470 ) | 1,178,279,147 |
| **TOTAL COMPREHENSIVE INCOME** | **P 4,610,121,927** | P 2,923,408,638 | P 18,752,432,462 | P 8,165,305,329 |
| **Net profit attributable to:** | | | | |
| Owners of the parent company | **P 5,828,465,291** | P 2,030,286,036 | P 12,827,979,338 | P 4,727,023,873 |
| Non-controlling interest | **524,917,765** | 180,209,263 | 6,505,157,241 | 2,087,515,478 |
| | **P 6,353,383,056** | P 2,210,495,299 | P 19,333,136,579 | P 6,814,539,351 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent company | **P 4,653,845,772** | P 2,565,494,500 | P 12,572,737,844 | P 6,314,215,324 |
| Non-controlling interest | **( 43,723,845 )** | 357,914,138 | 6,179,694,618 | 1,851,090,005 |
| | **P 4,610,121,927** | P 2,923,408,638 | P 18,752,432,462 | P 8,165,305,329 |
| **Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company:** | | | | |
| **Basic** | **P 0.6062** | **P 0.2094** | P 1.3061 | P 0.4813 |
| **Diluted** | **P 0.6062** | **P 0.2094** | P 1.3031 | P 0.4802 |

***See Notes to Interim Consolidated Financial Statements.***

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
***(Amounts in Philippine Pesos)***
***(UNAUDITED)***

| | Attributable to Owners of the Parent Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Additional Paid-in Capital | Treasury Shares – at cost | Net Actuarial Losses on Retirement Benefit Plan | Net Fair Value Gains (Losses) on Financial Assets at FVOCI | Accumulated Translation Adjustments | Revaluation Reserves on Cash Flow Hedge | Share Options | Other Reserves | Retained Earnings – Appropriated | Retained Earnings – Unappropriated | Retained Earnings – Total | Total | Noncontrolling Interest | Total Equity |
| Balance at January 1, 2020 | P 10,269,827,979 | P 34,518,916,029 | ( P 6,793,114,766 ) | ( P 237,089,623 ) | P 399,058,137 | ( P 4,510,575,970 ) | ( P 72,970,297 ) | P 620,625,162 | P 11,001,806,871 | P 3,931,650,000 | P 130,245,674,104 | P 134,177,324,104 | P 179,373,807,626 | P 117,742,987,878 | P 297,116,795,504 |
| Transactions with owners: | | | | | | | | | | | | | | | |
| Change in percentage ownership | - | - | - | - | - | - | - | - | ( 2,335,494,827 ) | - | - | - | ( 2,335,494,827 ) | ( 2,683,734,937 ) | ( 5,019,229,764 ) |
| Acquisition of treasury shares | - | - | ( 534,477,259 ) | - | - | - | - | - | - | - | - | - | ( 534,477,259 ) | - | ( 534,477,259 ) |
| Dividend paid by investee | - | - | - | - | - | - | - | - | - | - | - | - | - | ( 550,556,214 ) | ( 550,556,214 ) |
| Share-based compensation | - | - | - | - | - | - | - | - | - | - | - | - | - | 15,050,344 | 15,050,344 |
| | - | - | ( 534,477,259 ) | - | - | - | - | - | ( 2,335,494,827 ) | - | - | - | ( 2,869,972,086 ) | ( 3,219,240,807 ) | ( 6,089,212,893 ) |
| Changes in legal reserves during the period | - | - | - | - | - | - | - | - | ( 979,924,763 ) | - | - | - | ( 979,924,763 ) | - | ( 979,924,763 ) |
| Total comprehensive income | - | - | - | ( 142,494,829 ) | 89,333,046 | ( 1,038,031,039 ) | ( 83,426,697 ) | - | - | - | 5,828,465,291 | 5,828,465,291 | 4,653,845,772 | ( 43,723,845 ) | 4,610,121,927 |
| **Balance at September 30, 2020** | **P 10,269,827,979** | **P 34,518,916,029** | **( P 7,327,592,025 )** | **( P 379,584,452 )** | **P 488,391,183** | **( P 5,548,607,009 )** | **( P 156,396,994 )** | **P 620,625,162** | **P 7,686,387,281** | **P 3,931,650,000** | **P 136,074,139,395** | **P 140,005,789,395** | **P 180,177,756,549** | **P 114,480,023,226** | **P 294,657,779,775** |
| Balance at January 1, 2019 | P 10,269,827,979 | P 34,395,380,979 | ( P 4,130,664,509 ) | ( P 37,087,081 ) | P 292,038,325 | ( P 4,186,081,933 ) | P 124,320,576 | P 744,676,052 | P 17,189,184,985 | P 3,520,080,000 | P 114,011,796,687 | P 117,531,876,687 | P 172,193,472,060 | P 118,379,191,399 | P 290,572,663,459 |
| Transactions with owners: | | | | | | | | | | | | | | | |
| Acquisition of treasury shares | - | - | ( 1,273,766,409 ) | - | - | - | - | - | - | - | - | - | ( 1,273,766,409 ) | - | ( 1,273,766,409 ) |
| Share-based compensation | - | - | - | - | - | - | - | - | - | - | - | - | - | 11,826,617 | 11,826,617 |
| Additions (Deductions) | - | - | - | - | - | | | - | 38,043,099 | - | - | - | 38,043,099 | ( 11,232,417,180 ) | ( 11,194,374,081 ) |
| Dividend from investee | - | - | - | - | - | - | - | - | - | - | - | - | - | ( 946,119,108 ) | ( 946,119,108 ) |
| | - | - | ( 1,273,766,409 ) | - | - | - | - | - | 38,043,099 | - | - | - | ( 1,235,723,310 ) | ( 12,166,709,671 ) | ( 13,402,432,981 ) |
| Total comprehensive income | - | - | - | 389,537,052 | 58,896,683 | ( 517,009,274 ) | ( 186,665,955 ) | - | - | - | 12,827,979,338 | 12,827,979,338 | 12,572,737,844 | 6,179,694,618 | 18,752,432,462 |
| Balance at September 30, 2019 | P 10,269,827,979 | P 34,395,380,979 | ( P 5,404,430,918 ) | P 352,449,971 | P 350,935,008 | ( P 4,703,091,207 ) | ( P 62,345,379 ) | P 744,676,052 | P 17,227,228,084 | P 3,520,080,000 | P 126,839,776,025 | P 130,359,856,025 | P 183,530,486,594 | P 112,392,176,346 | P 295,922,662,940 |

***See Notes to Interim Consolidated Financial Statements.***

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
***(Amounts in Philippine Pesos)***
***(UNAUDITED)***

| | 2020 | 2019 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before tax | P 10,190,502,405 | P 25,513,511,455 |
| Adjustments for: | | |
| Depreciation and amortization | 7,630,462,278 | 6,249,790,486 |
| Interest expense | 5,043,669,250 | 4,333,359,116 |
| Interest income | ( 1,691,906,466 ) | ( 2,130,207,370 ) |
| Unrealized foreign currency gain - net | ( 275,125,953 ) | ( 63,903,788 ) |
| Reversal of impairment losses | ( 101,032,614 ) | ( 7,080,939 ) |
| Net loss on disposal of assets | 91,979,608 | 2,392,451 |
| Share in net profits of associates and joint ventures and invesment properties | ( 15,896,592 ) | ( 203,915,384 ) |
| Stock option benefit expense | 15,050,344 | 11,826,617 |
| Dividend income | ( 5,135,425 ) | ( 18,319,403 ) |
| Gain on sale of investments in an associate | - | ( 188,514,452 ) |
| Operating profit before working capital changes | 20,882,566,835 | 33,498,938,789 |
| Decrease (increase) in trade and other receivables | ( 911,595,707 ) | 4,158,779,076 |
| Decrease (increase) in inventories | 799,866,686 | ( 6,593,420,976 ) |
| Increase in contract assets | ( 2,444,991,183 ) | ( 2,060,001,197 ) |
| Decrease (increase) in financial assets at fair value through profit or loss | 1,962,817,968 | ( 128,850,079 ) |
| Increase in other current assets | ( 93,246,183 ) | ( 3,181,247,548 ) |
| Increase (decrease) in trade and other payables | 1,603,980,189 | ( 3,386,263,171 ) |
| Increase (decrease) in contract liabilities | 1,115,698,038 | ( 341,583,025 ) |
| Decrease in retirement benefit obligation | ( 35,323,940 ) | ( 223,487,458 ) |
| Increase in other current liabilities | 471,711,733 | 3,239,093,546 |
| Increase in other non-current liabilities | 7,232,405,533 | 1,915,585,973 |
| Cash generated from operations | 30,583,889,969 | 26,897,543,930 |
| Cash paid for taxes | ( 3,954,106,798 ) | ( 3,701,444,173 ) |
| Net Cash From Operating Activities | 26,629,783,171 | 23,196,099,757 |
| *Balance carried forward* | P 26,629,783,171 | P 23,196,099,757 |

| | 2020 | 2019 |
|---|---|---|
| *Balance brought forward* | P 26,629,783,171 | P 23,196,099,757 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of: | | |
| Property, plant and equipment | ( 6,755,373,831 ) | ( 11,229,652,197 ) |
| Investment properties | ( 3,374,643,563 ) | ( 6,279,466,759 ) |
| Intangible assets | ( 11,642,883 ) | ( 27,375,805 ) |
| Increase in other non-current assets | ( 1,077,669,787 ) | ( 372,653,655 ) |
| Interest received | 824,165,675 | 1,298,700,015 |
| Proceeds from: | | |
| Disposal of property, plant and equipment | 338,687,726 | 236,437,060 |
| Collections of advances from associates and other related parties | 26,911,598 | 96,569,692 |
| Sale of an investment in an associate | - | 240,908,437 |
| Sale of investment in financial asset at FVOCI | - | 9,385,521 |
| Disposal of investment property | - | 716,361 |
| Advances to landowners, joint ventures and other related parties - net | ( 204,878,142 ) | ( 564,888,126 ) |
| Cash dividends received | 5,135,425 | 18,319,403 |
| Additional advances granted to associates | ( 5,006,804 ) | ( 183,960,597 ) |
| Net Cash Used in Investing Activities | ( 10,234,314,586 ) | ( 16,756,960,650 ) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from interest-bearing loans | 17,690,793,878 | 24,172,596,619 |
| Payment of interest-bearing loans | ( 16,963,803,965 ) | ( 12,082,497,410 ) |
| Proceeds from issuance of bonds payable | 16,692,935,193 | - |
| Interest paid | ( 7,944,446,723 ) | ( 7,913,677,261 ) |
| Buyback of shares from non-controlling interest by a subsidiary | ( 1,303,574,981 ) | ( 9,299,634,972 ) |
| Advances granted and paid to related parties | ( 767,496,997 ) | ( 409,347,563 ) |
| Dividends paid to minority interest | ( 550,556,214 ) | ( 159,285,190 ) |
| Acquisition of treasury shares | ( 534,477,259 ) | ( 1,273,766,409 ) |
| Payment of lease liabilities | ( 271,694,970 ) | - |
| Advances collected and received from related parties | 38,055,441 | 190,873,862 |
| Net Cash From (Used in) Financing Activities | 6,085,733,403 | ( 6,774,738,324 ) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 22,481,201,988 | ( 335,599,217 ) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 51,270,580,951 | 44,779,011,533 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | P 73,751,782,939 | P 44,443,412,316 |

**Supplemental Information on Non-cash Investing and Financing Activities:**

In the normal course of business, the Group enters into non-cash activities which are not reflected in the cash flows, including but not limited the following: (a) exchanges or purchases or sale on account of real estate and other assets that remain unpaid at end of period; (b) reclassifications or transfers of property between Inventories, Property and Equipment and Investment Properties; and (c) borrowing costs under capitalized Inventories or Construction in Progress.

***See Notes to Interim Consolidated Financial Statements.***

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
***(With Comparative Figures as of December 31, 2019)***
***(Amounts in Philippine Pesos)***
***(Unaudited)***

## 1. CORPORATE INFORMATION

Alliance Global Group, Inc. (the "Company", "Parent Company", or "AGI") was registered with the Philippine Securities and Exchange Commission ("SEC") on October 12, 1993 and listed its shares in the Philippine Stock Exchange ("PSE") on April 19, 1999.

Currently, AGI is one of the leading conglomerates in the Philippines, with interests in real estate property development, food and beverage, tourism-entertainment and gaming, and quick–service restaurant. Its fifth leg, the infrastructure, has not yet started operations. The Company and its subsidiaries, associates and joint ventures (collectively referred to as the "Group") operate a diversified range of businesses that focus on developing products and services that generally cater to their target markets, under the following entities (see Note 4):

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI September 2020 | December 2019 |
|---|---|---|---|---|
| ***Subsidiaries*** | | | | |
| **Megaworld and subsidiaries** | | | | |
| **Megaworld Corporation** | "Megaworld" | (a) | **68%** | 67% |
| Megaworld Resort Estates, Inc. | | (b) | **84%** | 83% |
| Townsquare Development, Inc. | | | **50%** | 50% |
| Golden Panda-ATI Realty Corporation | | | **50%** | 50% |
| Arcovia Properties, Inc. | | | **68%** | 67% |
| Belmont Newport Luxury Hotels, Inc. | | | **68%** | 67% |
| Davao Park District Holdings Inc. | | | **68%** | 67% |
| Eastwood Cyber One Corporation | | | **68%** | 67% |
| Global One Hotel Group, Inc. | | | **68%** | 67% |
| Global One Integrated Business Services, Inc. | | | **68%** | 67% |
| Hotel Lucky Chinatown, Inc. | | | **68%** | 67% |
| Landmark Seaside Properties, Inc. | | | **68%** | 67% |
| Luxury Global Hotels and Leisures, Inc. | | | **68%** | 67% |
| Luxury Global Malls, Inc. | | | **68%** | 67% |
| Mactan Oceanview Properties and Holdings, Inc. | | | **68%** | 67% |
| Megaworld Cayman Islands, Inc. | | (c) | **68%** | 67% |
| Megaworld Cebu Properties, Inc. | | | **68%** | 67% |
| Megaworld Land, Inc. | | | **68%** | 67% |
| Citywalk Building Administration, Inc. | | | **68%** | 67% |
| Forbestown Commercial Center Administration, Inc. | | | **68%** | 67% |
| Ilo-ilo Center Mall Administration, Inc. | | | **68%** | 67% |
| Newtown Commercial Center Administration, Inc. | | | **68%** | 67% |
| Paseo Center Building Administration, Inc. | | | **68%** | 67% |
| San Lorenzo Place Commercial Center Administration, Inc. | | | **68%** | 67% |
| Southwoods Lifestyle Mall Management, Inc. | | | **68%** | 67% |
| Uptown Commercial Center Administration, Inc. | | | **68%** | 67% |
| Valley Peaks Property Management, Inc. | | | **68%** | 67% |
| Megaworld Newport Property Holdings, Inc | | | **68%** | 67% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI September 2020 | December 2019 |
|---|---|---|---|---|
| ***Subsidiaries*** | | | | |
| **Megaworld and subsidiaries** | | | | |
| Oceantown Properties, Inc. | | | **68%** | 67% |
| Piedmont Property Ventures, Inc. | | | **68%** | 67% |
| Prestige Hotels and Resorts, Inc. | | | **68%** | 67% |
| Richmonde Hotel Group International Ltd. | | (d) | **68%** | 67% |
| San Vicente Coast, Inc. | | | **68%** | 67% |
| Savoy Hotel Manila, Inc. | | | **68%** | 67% |
| Savoy Hotel Mactan, Inc. | | | **68%** | 67% |
| Stonehaven Land, Inc. | | | **68%** | 67% |
| Streamwood Property, Inc. | | | **68%** | 67% |
| Megaworld Bacolod Properties, Inc. | | | **62%** | 62% |
| Manila Bayshore Property Holdings, Inc. | | | **62%** | 62% |
| Megaworld Capital Town, Inc. | | | **52%** | 51% |
| Megaworld Central Properties, Inc. | | | **52%** | 51% |
| Soho Cafe and Restaurant Group, Inc. | | | **51%** | 50% |
| La Fuerza, Inc. | | | **45%** | 45% |
| Megaworld-Daewoo Corporation | | | **41%** | 40% |
| Northwin Properties, Inc. | | | **41%** | 40% |
| Gilmore Property Marketing Associates Inc. | | | **35%** | 35% |
| Integrated Town Management Corporation | | | **34%** | 34% |
| Maple Grove Land, Inc. | | | **34%** | 34% |
| Megaworld Globus Asia, Inc. | | | **34%** | 34% |
| **Suntrust Properties, Inc.** | | | **68%** | 67% |
| Governor's Hills Science School, Inc. | | | **68%** | 67% |
| Sunrays Properties Management, Inc. | | | **68%** | 67% |
| Suntrust Ecotown Developers, Inc. | | | **68%** | 67% |
| Suntrust One Shanata, Inc. | | | **68%** | 67% |
| Suntrust Two Shanata, Inc. | | | **68%** | 67% |
| Stateland, Inc. | | | **66%** | 65% |
| **Global-Estate Resorts, Inc.** | "GERI" | (e) | **56%** | 55% |
| Southwoods Mall Inc. | | | **62%** | 61% |
| Twin Lakes Corp. | | | **62%** | 61% |
| Twin Lakes Hotel, Inc. | | | **62%** | 61% |
| Megaworld Global-Estate, Inc. | | | **61%** | 60% |
| Fil-Estate Golf and Development, Inc | | | **56%** | 55% |
| Golforce, Inc. | | | **56%** | 55% |
| Southwoods Ecocentrum Corp. | | | **33%** | 33% |
| Philippine Aquatic Leisure Corp. | | | **33%** | 33% |
| Fil-Estate Properties, Inc. | | | **56%** | 55% |
| Aklan Holdings Inc. | | | **56%** | 55% |
| Blu Sky Airways, Inc. | | | **56%** | 55% |
| Fil-Estate Subic Development Corp. | | | **56%** | 55% |
| Fil-Power Concrete Blocks Corp. | | | **56%** | 55% |
| Fil-Power Construction Equipment Leasing Corp. | | | **56%** | 55% |
| Golden Sun Airways, Inc. | | | **56%** | 55% |
| La Compaña De Sta. Barbara, Inc. | | | **56%** | 55% |
| MCX Corporation | | | **56%** | 55% |
| Pioneer L-5 Realty Corp. | | | **56%** | 55% |
| Prime Airways, Inc. | | | **56%** | 55% |
| Sto. Domingo Place Development Corp. | | | **56%** | 55% |
| Fil-Estate Industrial Park, Inc. | | | **44%** | 44% |
| Sherwood Hills Development Inc. | | | **31%** | 30% |
| Fil-Estate Urban Development Corp. | | | **56%** | 55% |
| Global Homes and Communities, Inc. | | | **56%** | 55% |
| Savoy Hotel Boracay, Inc. | | | **56%** | 55% |
| Belmont Hotel Boracay, Inc. | | | **56%** | 55% |
| Novo Sierra Holdings Corp. | | | **56%** | 55% |
| Elite Communities Property Services, Inc. | | | **56%** | 55% |
| Oceanfront Properties, Inc. | | | **28%** | 28% |
| **Empire East Land Holdings, Inc.** | "EELHI" | | **56%** | 55% |
| Sonoma Premiere Land, Inc. | | (f) | **73%** | 73% |
| Pacific Coast Mega City, Inc. | "PCMI" | (g) | **82%** | 82% |
| 20th Century Nylon Shirt, Inc. | | | **55%** | 55% |
| Eastwood Property Holdings, Inc. | | | **55%** | 55% |
| Empire East Communities, Inc. | | | **55%** | 55% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI September 2020 | December 2019 |
|---|---|---|---|---|
| ***Subsidiaries*** | | | | |
| **Megaworld and subsidiaries** | | | | |
| Sherman Oak Holdings, Inc. | | | **55%** | 55% |
| Valle Verde Properties, Inc. | | | **55%** | 55% |
| Laguna Bel-Air School, Inc. | | | **40%** | 40% |
| **Emperador and subsidiaries** | | | | |
| **Emperador Inc.** | "EMP" or "Emperador" | | **84%** | 85% |
| **Emperador Distillers, Inc.** | "EDI" | | **84%** | 85% |
| Alcazar de Bana Holdings Company, Inc. | | | **84%** | 85% |
| ProGreen AgriCorp, Inc. | | | **84%** | 85% |
| South Point Science Park, Inc. | | | **84%** | 85% |
| Anglo Watsons Glass, Inc. | | | **84%** | 85% |
| Cocos Vodka Distillers Philippines, Inc. | | | **84%** | 85% |
| The Bar Beverage, Inc. | | | **84%** | 85% |
| Tradewind Estates, Inc. | "TEI" | (o) | **84%** | 85% |
| BoozyLife, Inc. | "BLI" | (o) | **52%** | 43% |
| Zabana Rum, Inc. | | | **84%** | 85% |
| **Emperador International Ltd.** | "EIL" | (d) | **84%** | 85% |
| Emperador Asia Pte Ltd. | "EA" | (i) | **84%** | 85% |
| Grupo Emperador Spain, S.A.U. | "GES" | (i) | **84%** | 85% |
| Bodega San Bruno, S.L. | "BSB" | (i) | **84%** | 85% |
| Bodegas Fundador SLU | "BFS" | (i) | **84%** | 85% |
| Complejo Bodeguero San Patricio, SLU | "CBSP" | (i) | **84%** | 85% |
| Destilados de la Mancha S.L. | | (i) | **84%** | 85% |
| Grupo Emperador Gestion S.L. | "GEG" | (i) | **84%** | 85% |
| Domecq Bodega Las Copas, S.L. | "DBLC" | (h) | **42%** | 42% |
| Stillman Spirits, S.L. | | | **84%** | 85% |
| Bodega Domecq S.A. de C.V. | "BDSC" | (h) | **42%** | 42% |
| Domecq Distribucion De Bebidas S.A. de C.V. | "DDDB" | (h) | **42%** | 42% |
| Pedro Domecq S.A. de C.V. | "PDSC" | (h) | **42%** | 42% |
| Emperador Europe SARL | "EES" | (i) | **84%** | 85% |
| Emperador Holdings (GB) Limited. | "EGB" | (i) | **84%** | 85% |
| Emperador UK Limited | "EUK" | (i) | **84%** | 85% |
| Whyte and Mackay Group Limited | "WMG" | (i) | **84%** | 85% |
| Whyte and Mackay Global Limited | "WMGL" | (i) | **84%** | 85% |
| Whyte and Mackay Limited | "WML" | (i) | **84%** | 85% |
| Whyte and Mackay Warehousing Ltd. | "WMWL" | (i) | **84%** | 85% |
| **GADC and subsidiaries** | | | | |
| **Golden Arches Development Corporation** | "GADC" | | **49%** | 49% |
| Advance Food Concepts Manufacturing, Inc. | | | **49%** | 49% |
| Red Asian Food Solutions | | | **37%** | 37% |
| Clark Mac Enterprises, Inc. | | | **49%** | 49% |
| Golden Laoag Foods Corporation | | | **38%** | 38% |
| Davao City Food Industries, Inc. | | | **37%** | 37% |
| First Golden Laoag Ventures | | | **34%** | 34% |
| McDonald's Anonas City Center | | | **34%** | 34% |
| McDonald's Puregold Taguig | | | **29%** | 29% |
| Golden City Food Industries, Inc. | | | **29%** | 29% |
| McDonald's Bonifacio Global City | | | **27%** | 27% |
| Molino First Golden Foods, Inc. | | | **26%** | 26% |
| GY Alliance Concepts, Inc. | | | **19%** | 19% |
| Golden Arches Realty Corporation | | | **49%** | 49% |
| **Travellers and subsidiaries** | | | | |
| **Travellers International Hotel Group, Inc**. | "Travellers" | (j) | **50%** | 50% |
| Agile Fox Amusement and Leisure Corporation | | | **50%** | 50% |
| APEC Assets Limited | | | **50%** | 50% |
| Aquamarine Delphinium Leisure and Recreation, Inc. | | | **50%** | 50% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI September 2020 | December 2019 |
|---|---|---|---|---|
| ***Subsidiaries*** | | | | |
| **Travellers and subsidiaries** | | | | |
| Bright Pelican Leisure and Production, Inc. | | | **50%** | 50% |
| Bright Leisure Management, Inc. | | | **50%** | 50% |
| Brilliant Apex Hotels and Leisure Corporation | | | **50%** | 50% |
| Coral Primrose Leisure and Recreation Corporation | | | **50%** | 50% |
| Deluxe Hotels and Recreation, Inc. | | | **50%** | 50% |
| Entertainment City Integrated Resorts & Leisure, Inc. | | | **50%** | 50% |
| FHTC Entertainment & Production, Inc. | "FHTC" | | **50%** | 50% |
| Golden Peak Leisure and Recreation, Inc. | | | **50%** | 50% |
| Grand Integrated Hotels and Recreation, Inc. | | | **50%** | 50% |
| Grandservices, Inc. | | | **50%** | 50% |
| Grandventure Management Services, Inc. | | | **50%** | 50% |
| Lucky Star Hotels and Recreation, Inc. | | | **50%** | 50% |
| Lucky Panther Amusement and Leisure Corporation | | | **50%** | 50% |
| Luminescent Vertex Hotels and Leisure Corporation | | | **50%** | 50% |
| Magenta Centaurus Amusement and Leisure Corporation | | | **50%** | 50% |
| Majestic Sunrise Leisure & Recreation, Inc. | | | **50%** | 50% |
| Netdeals, Inc. | | | **50%** | 50% |
| Newport Star Lifestyle, Inc. | | | **50%** | 50% |
| Royal Bayshore Hotels & Amusement, Inc. | | | **50%** | 50% |
| Sapphire Carnation Leisure and Recreation Corporation | | | **50%** | 50% |
| Scarlet Milky Way Amusement and Leisure Corporation | | | **50%** | 50% |
| Sparkling Summit Hotels and Leisure Corporation | | | **50%** | 50% |
| Valiant Leopard Amusement and Leisure Corporation | | | **50%** | 50% |
| Vermillion Triangulum Amusement and Leisure Corporation | | | **50%** | 50% |
| Westside City Resorts World, Inc. | | (k) | **49%** | 49% |
| Purple Flamingos Amusement and Leisure Corporation | | | **49%** | 49% |
| Red Falcon Amusement and Leisure Corporation | | | **49%** | 49% |
| Westside Theatre Inc. | | | **50%** | 50% |
| **Corporate and Others** | | | | |
| Alliance Global Brands, Inc. | | | **100%** | 100% |
| McKester Pik-nik International Limited | "MPIL" | (d) | **100%** | 100% |
| Great American Foods, Inc. | | (l) | **100%** | 100% |
| New Town Land Partners, Inc. | "NTLPI" | | **100%** | 100% |
| Alliance Global Group Cayman Islands, Inc. | | (c) | **100%** | 100% |
| Boracay Newcoast Resorts, Inc. | | | **100%** | 100% |
| Dew Dreams International, Inc. | | | **100%** | 100% |
| First Centro, Inc. | "FCI" | | **100%** | 100% |
| ERA Real Estate Exchange, Inc. | | | **100%** | 100% |
| Oceanic Realty Group International, Inc. | | | **100%** | 100% |
| Greenspring Investment Holdings Properties Ltd. | | (d) | **100%** | 100% |
| Infracorp Development, Inc. | | | **100%** | 100% |
| Shiok Success International, Inc. | | | **100%** | 100% |
| Travellers Group Ltd. | | (d) | **100%** | 100% |
| Venezia Universal Ltd. | | (d) | **100%** | 100% |
| Dew Dreams International, Ltd. | | (d) | **100%** | 100% |
| Shiok Success International, Ltd. | | (d) | **100%** | 100% |
| Adams Properties, Inc. | "Adams" | | **60%** | 60% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI<br>**September 2020** | <br>December 2019 |
|---|---|---|---|---|
| ***Associates*** | | | | |
| First Premiere Arches Restaurant Inc. | | | **49%** | 49% |
| Bonifacio West Development Corporation | | | **31%** | 31% |
| Suntrust Home Developers, Inc. | "SHDI" | | **23%** | 23% |
| Citylink Coach Services, Inc. | | | **6%** | 6% |
| First Oceanic Property Management, Inc. | | | **6%** | 6% |
| Palm Tree Holdings and Development Corporation | | | **27%** | 27% |
| Fil-Estate Network, Inc. | | | **11%** | 11% |
| Fil-Estate Sales, Inc. | | | **11%** | 11% |
| Fil-Estate Realty and Sales Associates, Inc. | | | **11%** | 11% |
| Fil-Estate Realty Corp. | | | **11%** | 11% |
| Nasugbu Properties, Inc. | | | **8%** | 8% |
| ***Joint Ventures*** | | | | |
| Bodegas Las Copas, S.L. | "BLC" | (m) | **42%** | 41% |
| Front Row Theatre Management, Inc. | | (n) | **25%** | 25% |

Explanatory notes:
- (a) AGI's effective ownership interest is derived from its 45% direct ownership, 3% direct holdings of FCI, 18% direct holdings of NTLPI and 2% direct holdings of MPIL.
- (b) AGI and Megaworld directly owns 49% and 51%, respectively.
- (c) Foreign subsidiaries operating under the laws of the Cayman Islands.
- (d) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands ("BVI").
- (e) AGI's effective ownership interest represents its indirect holdings through Megaworld, which owns 82% of GERI as of December 31, 2019 and September 30, 2020.
- (f) A subsidiary through 60% and 40% direct ownership of EELHI and FCI, respectively.
- (g) As of December 31, 2018, PCMI is 71% effectively owned by the Group. In January 2019, the remaining 20% was acquired by the Group, thus, the Group gained 100% rights over PCMI. The effective ownership of the Group over PCMI after the transaction is 82%.
- (h) DBLC, a subsidiary of GES, is operating under the laws of Spain and its subsidiaries PDSC, BDSC and DDDB are operating under the laws of Mexico.
- (i) Subsidiaries under EIL. EA is operating under the laws of Singapore while GES and its subsidiaries BSB, BFS, GEG, CBSP and DBLC, are operating under the laws of Spain. EES is operating under the laws of Luxembourg. EGB (the ultimate UK parent) is operating under the laws of England and Wales. EUK, WMG, WML, WMWL and WMGL are operating under the laws of Scotland. EA, EES and EGB are direct subsidiaries of EIL.
- (j) Travellers' shares are directly owned 16% by AGI, 3% by FCI, 2% by Megaworld, 49% by Adams, 30% by Genting Hongkong Limited ("GHL") and 1% by the public.
- (k) AGI's effective ownership is through 1% direct ownership, 47% through 95% ownership of Travellers, and 1% through ownership of other subsidiaries within the Group (i.e., FCI, Megaworld and Adams).
- (l) Foreign subsidiary of MPIL operating under the laws of United States of America.
- (m) A foreign joint venture under GES and operating under the laws of Spain.
- (n) A joint venture through FHTC.
- (o) TEI increased its ownership interest in BLI from 51% to 62% on January 2020.

The Company, its subsidiaries, associates and joint ventures are incorporated and operating in the Philippines, except for such foreign subsidiaries and a joint venture as identified in the preceding table (see explanatory notes c, d, h, i, l and m above).

AGI's shares of stock and those of Megaworld, EMP, GERI, EELHI and SHDI are listed in and traded through the PSE as of September 30, 2020. Travellers applied for voluntary delisting and was officially delisted in the PSE on October 21, 2019. Further, Travellers also applied for voluntary revocation of its secondary license with the SEC, which is not yet approved as of September 30, 2020.

The principal activities of the Group are further described in Note 4.

The Company's registered office and primary place of business is located at 7$^{th}$ Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

The Board of Directors ("BOD") approved on November 13, 2020, the release of the interim consolidated financial statements ("ICFS") of the Group as of and for the nine months ended September 30, 2020 (including the comparative financial statements as of December 31, 2019, and for the nine months ended September 30, 2019).

## 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these ICFS are consistent with those applied in the audited consolidated financial statements ("ACFS") as of and for the year ended December 31, 2019, except for the application of standards that became effective on January 1, 2020 (see Note 2.2).

### *2.1 Basis of Preparation of Interim Consolidated Financial Statements*

These ICFS have been prepared in accordance with Philippine Accounting Standard ("PAS") 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Philippine Financial Reporting Standards ("PFRS"), and should be read in conjunction with the Group's ACFS as of and for the year ended December 31, 2019.

The ICFS are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the ICFS of the Group are measured using the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

The presentation of the ICFS is consistent with the most recent ACFS presentation, except for the amendments to existing standards mentioned in Note 2.2.

The Group presents all items of income and expense in a single consolidated statement of comprehensive income.

### *2.2 Adoption of Amended PFRS*

*(a) Effective in 2020 that are Relevant to the Group*

In 2020, the Group adopted for the first time the following amendments to existing standards that are relevant to the Group and effective for financial statements with annual periods beginning on or after January 1, 2020.

| | | |
|---|---|---|
| PAS 1 (Amendments) | : | Presentation of Financial Statements |
| PAS 8 (Amendments) | : | Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material |
| Conceptual Framework for Financial Reporting | : | Revised Conceptual Framework for Financial Reporting |

| | | |
|---|---|---|
| PFRS 3 (Amendments) | : | Business Combinations – Definition of a Business |
| PFRS 9 and PFRS 7 (Amendments) | : | Financial Instruments and Financial Instruments Disclosures – Interest Rate Benchmark |
| PFRS 16 (Amendments) | : | Leases – COVID-19-Related Rent Concessions |

(b) *Effective Subsequent to 2020 but are not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2020, which are adopted by the Financial Reporting Standards Council. Management will adopt the following relevant pronouncements in accordance with their transitional provisions:

| | | |
|---|---|---|
| PFRS 10 and PAS 28 (Amendments) | : | Consolidated Financial Statements, and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture |
| PFRS 3 (Amendments) | : | Business Combinations – Reference to to Conceptual Framework |
| PAS 16 (Amendments) | : | Property, Plant and Equipment – Proceeds Before Intended Use |
| PAS 37 (Amendments) | : | Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts |
| PAS 1 (Amendments) | : | Presentation of Financial Statements – Classification of Liabilities as Current and Non-current |

Management is currently assessing the impact of these amendments on the Group's consolidated financial statements and it will conduct a comprehensive study of the potential impact of these standards prior to their mandatory adoption date to assess the impact of all changes.

## 3. JUDGMENTS AND ESTIMATES

The preparation of the Group's ICFS in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the policies applied and amounts reported in the ICFS and related explanatory notes. Judgments and estimates are based on historical experience and management's best knowledge of current events and actions, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates. There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

The judgments, estimates and assumptions applied in the ICFS, including the key sources of estimation uncertainty, were the same as those applied in the ACFS for the year ended December 31, 2019.

## 4. SEGMENT INFORMATION

### *4.1 Business Segments*

The Group is organized into major business segments, which are the major subsidiaries of the Group. These represent the main products and services provided by the Group and the line of business in which the Group operates. Presented below and in the succeeding page is the basis of the Group in reporting its primary segment information.

*(a)* The *Megaworld* segment consists of development of real estate, integrated resorts, leasing of properties and hotel operations business which is primarily undertaken by Megaworld Corporation and subsidiaries, the Group's forerunner in the real estate industry.

*(b)* The *Emperador* segment refers to the manufacture and distribution of distilled spirits, including the production of glass containers, which is undertaken by Emperador Inc. and subsidiaries.

*(c)* The *Travellers* segment relates to tourism-oriented business that integrates entertainment, hospitality and leisure, including gaming, as that of Resorts World Manila, which is operated by Travellers International Hotel Group, Inc. and subsidiaries.

*(d)* The *GADC* segment refers to operations of McDonald's restaurants in the Philippines in accordance with the franchise agreement between GADC and McDonald's Corporation, USA.

The Group disaggregates revenues recognized from contracts with customers into these segments that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This same disaggregation is used in earnings releases, annual reports and investor presentations.

### *4.2 Segment Assets and Liabilities*

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment, intangible assets and investment properties. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and bonds payable.

### *4.3 Intersegment Transactions*

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

## *4.4 Analysis of Segment Information*

Segment information can be analyzed as follows for nine months ended September 30, 2020 and 2019.

| | For nine months ended September 30, 2020 (Unaudited) | | | | |
|---|---|---|---|---|---|
| | **Megaworld** | **Travellers** | **GADC** | **Emperador** | **Total** |
| **REVENUES** | | | | | |
| Sales to external customers | P 30,765,478,227 | P 8,579,811,384 | P 14,200,038,342 | P 33,834,106,579 | P 87,379,434,532 |
| Intersegment sales | 309,575,473 | 199,858,796 | - | 14,850,297 | 524,284,566 |
| Finance and other income | 1,614,956,698 | 65,175,091 | 140,013,963 | 499,587,877 | 2,319,733,629 |
| Segment revenues | 32,690,010,398 | 8,844,845,271 | 14,340,052,305 | 34,348,544,753 | 90,223,452,727 |
| Cost of sales and expenses excluding depreciation and amortization | ( 18,013,952,130 ) | ( 9,683,096,814 ) | ( 12,496,193,974 ) | ( 25,927,868,933 ) | ( 66,121,111,851 ) |
| | 14,676,058,268 | ( 838,251,543 ) | 1,843,858,331 | 8,420,675,820 | 24,102,340,876 |
| Depreciation and amortization | ( 2,214,276,604 ) | ( 2,534,856,322 ) | ( 1,905,983,261 ) | ( 1,054,551,136 ) | ( 7,709,667,323 ) |
| Finance costs and other charges | ( 1,574,883,416 ) | ( 1,883,246,226 ) | ( 790,761,496 ) | ( 412,567,120 ) | ( 4,661,458,258 ) |
| Profit before tax | 10,886,898,248 | ( 5,256,354,091 ) | ( 852,886,426 ) | 6,953,557,564 | 11,731,215,295 |
| Tax expense | ( 2,773,981,035 ) | ( 40,215,755 ) | ( 44,305,528 ) | ( 960,308,031 ) | ( 3,818,810,349 ) |
| **SEGMENT PROFIT (LOSS)** | **P 8,112,917,213** | **(P 5,296,569,846 )** | **(P 897,191,954 )** | **P 5,993,249,533** | **P 7,912,404,946** |
| **SEGMENT ASSETS AND LIABILITIES** | | | | | |
| Segment assets | **P 372,839,108,832** | **P 117,130,395,586** | **P 31,160,995,648** | **P 115,210,888,297** | **P 636,341,388,363** |
| Segment liabilities | **149,938,202,613** | **83,338,398,531** | **25,902,364,637** | **50,232,397,002** | **309,411,362,783** |
| **OTHER SEGMENT INFORMATION** | | | | | |
| Share in net profit (loss) of associates and joint ventures | **( 90,608,943 )** | **( 32,226 )** | **-** | **106,537,761** | **15,896,592** |

| | For nine months ended September 30, 2019 (Unaudited) | | | | |
|---|---|---|---|---|---|
| | Megaworld | Travellers | GADC | Emperador | Total |
| REVENUES | | | | | |
| Sales to external customers | P 45,136,597,572 | P 21,050,690,216 | P 23,123,989,064 | P 33,223,685,243 | P 122,534,962,095 |
| Intersegment sales | 264,872,104 | 411,072,684 | - | 29,653,517 | 705,598,305 |
| Finance and other income | 2,545,716,696 | 145,586,204 | 85,465,115 | 468,182,074 | 3,244,950,089 |
| Segment revenues | 47,947,186,372 | 21,607,349,104 | 23,209,454,179 | 33,721,520,834 | 126,485,510,489 |
| Cost of sales and expenses excluding depreciation and amortization | ( 25,663,094,366 ) | ( 16,892,905,495 ) | ( 20,363,140,366 ) | ( 25,924,583,835 ) | ( 88,843,724,062 ) |
| | 22,284,092,006 | 4,714,443,609 | 2,846,313,813 | 7,796,936,999 | 37,641,786,427 |
| Depreciation and amortization | ( 1,920,297,647 ) | ( 2,323,377,883 ) | ( 959,042,687 ) | ( 1,008,353,852 ) | ( 6,211,072,069 ) |
| Finance costs and other charges | ( 1,991,576,919 ) | ( 1,344,547,920 ) | ( 126,246,247 ) | ( 614,640,094 ) | ( 4,077,011,180 ) |
| Profit before tax | 18,372,217,440 | 1,046,517,806 | 1,761,024,879 | 6,173,943,053 | 27,353,703,178 |
| Tax expense | ( 4,686,977,624 ) | ( 97,571,937 ) | ( 518,670,130 ) | ( 844,811,033 ) | ( 6,148,030,724 ) |
| SEGMENT PROFIT | P 13,685,239,816 | P 948,945,869 | P 1,242,354,749 | P 5,329,132,020 | P 21,205,672,454 |
| OTHER SEGMENT INFORMATION | | | | | |
| Share in net profit (loss) of associates and joint ventures | P 62,836,820 | (P 22,861 ) | P - | P 141,101,245 | P 203,915,384 |

The following presents the segment assets and liabilities of the Group as of December 31, 2019 (audited):

| | Megaworld | Travellers | GADC | Emperador | Total |
|---|---|---|---|---|---|
| SEGMENT ASSETS AND LIABILITIES | | | | | |
| Segment assets | P 347,968,101,289 | P 115,651,536,817 | P 31,959,120,433 | P 122,233,919,740 | P 617,812,678,279 |
| Segment liabilities | 132,846,602,884 | 76,439,478,594 | 25,704,962,190 | 57,392,889,576 | 292,383,933,244 |

### *4.5 Reconciliations*

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its ICFS.

| | September 30, 2020 (Unaudited) | September 30, 2019 (Unaudited) |
|---|---|---|
| **Revenues** | | |
| Total segment revenues | **P 90,223,452,727** | P 126,485,510,489 |
| Unallocated corporate revenue | **2,081,852,999** | 1,229,126,359 |
| Elimination of intersegment revenues | **( 524,284,566 )** | ( 705,598,305 ) |
| Revenues as reported in interim consolidated statement of comprehensive income | **P 91,781,021,160** | P 127,009,038,543 |
| **Profit or loss** | | |
| Segment operating profit | **P 7,912,404,946** | P 21,205,672,454 |
| Unallocated corporate loss | **( 1,034,737,324)** | ( 1,166,937,570 ) |
| Elimination of intersegment revenues | **( 524,284,566 )** | ( 705,598,305 ) |
| Profit as reported in interim consolidated statement of comprehensive income | **P 6,353,383,056** | P 19,333,136,579 |

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|---|---|
| **Assets** | | |
| Segment assets | **P 636,341,388,363** | P 617,812,678,279 |
| Unallocated corporate assets | **33,063,364,106** | 26,663,650,188 |
| Total assets reported in the interim consolidated statements of financial position | **P 669,404,752,469** | P 644,476,328,467 |
| **Liabilities** | | |
| Segment liabilities | **P 309,411,362,783** | P 292,383,933,244 |
| Unallocated corporate liabilities | **65,335,609,911** | 54,975,599,719 |
| Total liabilities reported in the interim consolidated statements of financial position | **P 374,746,972,694** | P 347,359,532,963 |

Concentration of revenue is considered when at least 10% of total segment revenue is generated from a single customer. There is no concentration of the Group's revenue in a single customer as the 10% threshold has not been met in any of the periods presented.

## 5. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment as of September 30, 2020 and December 31, 2019 are shown below.

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|---|---|
| Cost | **P 183,782,638,891** | P 176,823,137,969 |
| Accumulated depreciation, amortization and impairment | **( 46,383,802,092)** | ( 40,560,591,722) |
| Net carrying amount | **P 137,398,836,799** | P 136,262,546,247 |

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the reporting periods is shown below.

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|---|---|
| Balance at beginning of period, net of accumulated depreciation, amortization and impairment | **P 136,262,546,247** | P 129,022,311,924 |
| Additions | **7,389,374,656** | 19,511,058,873 |
| Depreciation and amortization charges for the period | **( 5,924,242,984)** | ( 7,741,588,381) |
| Disposals – net | **( 429,873,734)** | ( 812,810,392) |
| Impairment reversal (loss) | **101,032,614** | ( 88,377,482) |
| Reclassifications – net | **-** | ( 3,628,048,295) |
| Balance at end of period, net of accumulated depreciation, amortization and impairment | **P 137,398,836,799** | P 136,262,546,247 |

## 6. INVESTMENT PROPERTIES

The Group's investment properties include several parcels of land, buildings and improvements which are held for investment purposes only, either to earn rental income or for capital appreciation or both. The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of the reporting periods are shown below.

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|---|---|
| Cost | **P 130,219,482,597** | P 125,464,245,734 |
| Accumulated depreciation | **( 14,936,988,176)** | ( 13,126,058,170) |
| Net carrying amount | **P 115,282,494,421** | P 112,338,187,564 |

A reconciliation of the carrying amounts of investment properties at the beginning and end of the reporting periods is shown below.

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|---|---|
| Balance at beginning of period, net of accumulated depreciation | **P 112,338,187,564** | P 104,635,533,741 |
| Additions | **4,756,030,463** | 10,390,591,440 |
| Depreciation charges for the period | **( 1,810,930,006)** | ( 2,285,389,751) |
| Disposals – net | **( 793,600)** | ( 716,363) |
| Reclassifications - net | **-** | ( 401,831,503) |
| Balance at end of period, net of accumulated depreciation | **P 115,282,494,421** | P 112,338,187,564 |

## 7. DIVIDENDS

There were no dividends declared and paid by the Company for the nine-month periods ended September 30, 2020 and 2019.

## 8. EARNINGS PER SHARE

Earnings per share is computed as follows:

| | | **September 30, 2020 (Unaudited)** | | September 30, 2019 (Unaudited) |
|---|---|---|---|---|
| Basic: | | | | |
| Net profit attributable to owners of the parent company | **P** | **5,828,465,291** | P | 12,827,979,338 |
| Divide by the weighted average number of outstanding common shares | | **9,614,078,979** | | 9,821,888,039 |
| | **P** | **0.6062** | P | 1.3061 |
| Diluted: | | | | |
| Net profit attributable to owners of the parent company | **P** | **5,828,465,291** | P | 12,827,979,338 |
| Divide by the weighted average number of outstanding common shares and potentially dilutive shares | | **9,614,078,979** | | 9,844,234,307 |
| | **P** | **0.6062** | P | 1.3031 |

On September 19, 2017, the BOD approved a two-year share repurchase program of up to P5.0 billion worth of shares in the open market, to enhance shareholder value. On September 21, 2019, the BOD approved another share repurchase program for P2.5 billion over a 12-month period ending on September 23, 2020. And on September 21, 2020, the BOD approved another share repurchase program for P2.5 billion over 12-month period ending on September 23, 2021. The Company has repurchased 532,784,800 shares for P6.4 billion and 324,559,040 shares for P4.5 billion as of September 30, 2020 and 2019, respectively, which are reported as Treasury Shares.

Under the Revised Corporation Code of the Philippines, a stock corporation can repurchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be repurchased or acquired. Accordingly, the Parent Company's ongoing share repurchase program restricts the Parent Company's retained earnings for distribution as dividends up to the cost of the treasury shares.

There are 122.96 million shares held by subsidiaries with a total cost of P936.16 million that were reported as part of Treasury Shares in the consolidated statements of changes in equity. Such treasury shares do not form part of outstanding common shares.

The actual number of outstanding common shares approximates the weighted average for each interim period. As of September 30, 2019, there are 22.3 million potentially dilutive shares from the Company's Executive Stock Option Plan. However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently has no material effect on the September 30, 2019 diluted EPS.

The basic and diluted earnings per share are the same for the nine months ended September 30, 2020, as the Company's Executive Stock Option Plan are considered to be antidilutive since their conversion to ordinary shares would increase earnings per share. Thus, the number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the Executive Stock Option Plan.

## 9. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, joint ventures, the Group's key management personnel and retirement fund, and others. The summary of the Group's transactions with its related parties for the periods ended September 30, 2020 and 2019, and the related outstanding balances as of September 30, 2020 and December 31, 2019 are as follows:

| | | Amount of Transaction | | Outstanding Balance Receivable (Payable) | |
|---|---|---|---|---|---|
| Related Party Category | Notes | **September 30, 2020 (Unaudited)** | September 30, 2019 (Unaudited) | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
| **Subsidiaries' stockholders:** | | | | | |
| Casino transactions | 9.2 | **P 12,961,032** | P 235,040,582 | **(P 3,585,725)** | (P 742,847) |
| Management fees | 9.3 | **11,574,724** | 268,288,710 | **(23,862,172)** | (15,216,479) |
| Accounts payable | 9.5 | **-** | - | **(347,670,510)** | (347,670,510) |
| Acquisition of investment | 9.7 | **-** | 869,233,406 | **(680,000,000)** | (680,000,000) |
| **Related party under common ownership:** | | | | | |
| Purchase of raw materials | 9.1 | **1,957,762,676** | 2,701,111,081 | **(851,434,007)** | (1,019,713,848) |
| Purchase of imported goods | 9.1 | **11,316,261** | 18,518,815 | **-** | (1,710,514) |
| Advances granted | 9.4 | **(26,911,598)** | 101,161,316 | **1,960,780,168** | 1,987,691,766 |
| Management services | 9.1 | **45,000,000** | 45,000,000 | **(99,000,000)** | (77,000,000) |
| **Associates –** | | | | | |
| Advances granted | 9.4 | **5,006,804** | (21,842,508) | **1,102,067,304** | 1,097,060,500 |
| **Others:** | | | | | |
| Accounts receivable | 9.5 | **173,245,682** | (25,016,391) | **782,204,334** | 608,958,652 |
| Accounts payable | 9.5 | **-** | - | **(65,208,430)** | (65,208,430) |
| Advances from joint venture partners and others | 9.6 | **(364,720,778)** | (137,468,643) | **(1,879,459,875)** | (2,244,180,653) |
| Donations | | **71,774,255** | (173,721,362) | **(4,256,730)** | (20,012,801) |
| Sale of investment property | | **-** | - | **398,391,250** | 398,391,250 |

Unless otherwise stated, the outstanding balances of the Group's transactions with its related parties are unsecured, noninterest-bearing and payable or collectible on demand.

### *9.1 Purchase of Goods and Management Agreement*

Emperador imports finished goods and raw materials such as alcohol, flavorings and other items through Andresons Global, Inc., a related party under common ownership. Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly-owned subsidiary of BLC, which is considered a related party under joint control. These transactions are generally payable in cash within 30 days. Emperador had a management agreement with Consolidated Distillers of the Far East, Inc., a related party under common ownership, for the consultancy and advisory services in relation to the operation, management, development and maintenance of its distillery plant. The outstanding balances as of September 30, 2020 and December 31, 2019 are shown as part of Trade and Other Payables account in the consolidated statements of financial position.

### *9.2 Casino Transactions with GHL*

Travellers recognized outstanding receivables from (payables to) GHL representing show money received by Travellers from foreign patrons which the counterparty will later remit to the other. The outstanding balances, which are unsecured, noninterest-bearing and payable in cash upon demand, are presented as part of Trade and Other Payables account in the consolidated statements of financial position.

### *9.3 Operations and Management Agreement with GHL*

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. These transactions are presented under the Other Operating Expenses account in the consolidated statements of comprehensive income. The outstanding liability, which is unsecured, noninterest bearing and payable in cash upon demand, arising from this transaction is presented under Trade and Other Payables account in the consolidated statements of financial position.

### *9.4 Advances to Associates and Other Related Parties*

Entities within the Group grant advances to associates and other related parties for working capital purposes. These advances to associates and other related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash or through offsetting arrangements.

The movement of the outstanding balances of Advances to associates and other related parties, which are shown as part of Trade and Other Receivables account in the consolidated statements of financial position, is presented as follows:

| | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Balance at beginning of period | **P 3,084,752,266** | P 2,644,503,318 |
| Cash advances granted | **5,006,804** | 570,167,429 |
| Collections | **( 26,911,598)** | ( 129,918,481) |
| Balance at end of period | **P 3,062,847,472** | P 3,084,752,266 |

As of September 30, 2020, and December 31, 2019, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized.

### *9.5 Due from/to Related Parties*

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billings, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of the Due from/to Related Parties are included under Trade and Other Receivables and Trade and Other Payables accounts, respectively, in the consolidated statements of financial position, as follows:

| | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| ***Due from Related Parties*** | | |
| Balance at beginning of period | **P 608,958,652** | P 328,275,642 |
| Additions | **211,301,123** | 302,541,285 |
| Collections | **( 38,055,441)** | ( 22,800,927) |
| | **782,204,334** | 608,016,000 |
| Impairment recovery | **-** | 942,652 |
| Balance at end of period | **P 782,204,334** | P 608,958,652 |
| ***Due to Related Parties*** | | |
| Balance at beginning and end of period | **P 412,878,940** | P 412,878,940 |

As of September 30, 2020 and December 31, 2019, based on management's assessment, no additional amount of impairment is necessary.

### *9.6 Non-current Advances from Related Parties*

Certain expenses of entities within the Group are paid for by other related parties. The advances are unsecured, noninterest-bearing, with no repayment terms, and generally payable in cash or through offsetting arrangements. Advances from Joint Venture ("JV") partners pertain to advances from golf share partners and lot owners.

Details of Advances from Related Parties and JV Partners are presented as follows:

| | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Advances from related parties | **P 1,523,232,621** | P 1,887,953,399 |
| Advances from JV partners | **356,227,254** | 356,227,254 |
| | **P 1,879,459,875** | P 2,244,180,653 |

### *9.7 Acquisition of Investments*

As at September 30, 2020 and December 31, 2019, the outstanding liability of P680.0 million represents the amount outstanding from the acquisition of PCMI shares and is shown as part of Trade and Other Payables account in the consolidated statements of financial position.

### *9.8 Transactions with the Retirement Plans*

The Group has formal retirement plans established separately for each significant subsidiary, particularly Megaworld, GERI, EELHI, Travellers, GADC, EDI and WML. These plans are defined benefit post-employment plan maintained for qualified employees, administered and managed by trustee banks (except for GERI which is still an unfunded plan) that are legally separated from the Group. The retirement funds do not provide any guarantee or surety for any obligation of the Group and their investments are not covered by any restrictions or liens.

## 10. COMMITMENTS AND CONTINGENCIES

### *10.1 Tax Contingencies of Travellers' Casino Operations*

Travellers is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with Philippine Amusement and Gaming Corporation ("PAGCOR"). In April 2013, however, the BIR issued RMC 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended.

In August 2016, the Supreme Court ("SC") confirmed that "all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos." The SC Decision has been affirmed with finality by the SC in a Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the Bureau of Internal Revenue. Consistent with the decision of SC, on June 13, 2018, the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extended to all PAGCOR contractees and licensees.

### *10.2 Consortium Agreement for Ninoy Aquino International Airport ("NAIA")*

On February 12, 2018, AGI, as a member of a consortium of seven (7) conglomerates, submitted a P102-billion unsolicited proposal to the Department of Transportation ("DOTr") and the Manila International Airport Authority ("MIAA") (collectively, the "Grantors") for the improvement, upgrade, enhancement, expansion, operation and maintenance, and management of the NAIA. On September 10, 2018, the consortium was granted an Original Proponent Status ("OPS"). On November 29, 2019, the National Economic Development Authority ("NEDA") approved the unsolicited proposal which triggered the negotiation stage in the process. The project would then have to go through a Swiss Challenge before it can be awarded.

In the light of the far-reaching and long lasting consequences of the coronavirus pandemic on airline travel, airline operations and airport passenger traffic, the consortium reviewed the assumptions and plans to ensure the viability of the NAIA Project in the "new normal", and submitted the proposed changes in the Project's framework. The government, however, was not willing to accept most of the proposed options; yet, the consortium could move forward only under the proposed options.

On July 10, 2020 the consortium received a notice from MIAA terminating any further negotiations, and revoking the OPS and approvals earlier granted.

### *10.3 Skytrain Project*

On October 10, 2017, the Group submitted a P3-billion unsolicited proposal to the government to build a 1.87-kilometer Skytrain monorail project and transfer its ownership title to the government. The Group was conferred the OPS by the DOTr on May 17, 2018 and four days later, DOTr endorsed the proposal to NEDA. The project is now undergoing review and evaluation at NEDA.

### *10.4 Co-Development Agreement between WCRWI and SHDI*

The principal terms of the co-development agreement are as follows:

*(i) WCRWI and Travellers shall lease the Project Site (i.e. "the site upon which the hotel casino is to be erected") to SHDI.*

WCRWI and Travellers shall lease to SHDI the site upon which a hotel casino will be erected at an annual rental of US$10.6 million (P540.6 million), exclusive of VAT, until August 19, 2039. The lease shall automatically be renewed subject to applicable laws for another 25 years, unless otherwise agreed upon by the parties. The annual rental shall be payable upon the commencement of operation of the hotel casino.

*(ii) SHDI shall finance the development and construction of a hotel casino.*

SHDI shall finance the development and construction of a hotel casino on the leased area. SHDI shall also pay US$200.0 million (P10.2 billion) to WCRWI for usage of the properties and reimbursement of costs already incurred and construction works that have already been accomplished on the Project Site.

In line with the foregoing, the land development cost made by WCRWI for the construction of Site A was discontinued in 2019, and the related cost was reclassified as Non-current Asset Held for Sale. The Group believes that the sale and turnover of the assets to SHDI is highly probable to occur in 2020.

*(iii) WCRWI shall enter into an agreement with SHDI, for the latter to operate and manage a hotel casino.*

WCRWI and SHDI shall enter into an agreement for the operations and management of a hotel casino for the period of the gaming Provisional License Agreement (i.e. up to July 11, 2033) as well as any extension or renewal of the Provisional License Agreement on terms of the operations and management agreement to be mutually agreed between the WCRWI and SHDI. WCRWI's share on the gross gaming revenues shall be as follows (which payment shall only be payable when the hotel casino commences operation):

(a) 1% of the gross gaming revenue on VIP of the Casino; and,
(b) 3% of the gross gaming revenue on slot machines and mass market tables of the hotel casino, based on the gross gaming revenue as is submitted to PAGCOR from time to time.

As of September 30, 2020, the hotel casino has not yet commenced its operation; hence, agreement above has not yet materialized.

*(v) WCRWI and the Travellers as warrantors*

Fortune Noble Limited ("Fortune") [a wholly-owned subsidiary of Suncity Group Holdings Limited], the parent company of SHDI, conditionally agreed to subscribe to 2.55 billion new SHDI shares subject to the terms and conditions mutually agreed upon by the parties. WCRWI and Travellers agreed to act as the warrantors, wherein, a put option over the shares of SHDI was included. The put option enables Fortune to transfer ownership over SHDI to the warrantors in exchange for an option price, upon the happening of any of the put option events during the option period.

The option period commences from the date of the agreement up to the day immediately preceding the date on which the hotel casino first starts its operation. The put option events mainly pertains to the successful commencement of operations of the hotel casino, which include, among others, the termination or suspension of gaming license due to the default of the warrantors, termination of WCRWI's lease over Site A as applicable, or failure to acquire government consent for operation of hotel casino.

The option price is equivalent to the aggregate of: (a) the consideration for the acquisition by Fortune of the 1.1 billion SHDI shares as at the date of the agreement together with interest from the date of completion of the said acquisition up to the date of completion of the put option; and, (b) the aggregate of the shares subscription price for the subscription of 2.6 billion new SHDI shares including interest as well from the date of shares subscription completion up to the date of completion of the put option.

Management assessed that since the put option transfers significant risk to the Group as warrantors, it shall be accounted for as a financial guarantee to be measured under PFRS 9. Accordingly, the put option was initially recognized at the amount of premium received then, subsequently measured at the higher of the amount initially recognized or the amount using the ECL model.

Applying the ECL model, the option price that WCRWI and Travellers are committed to pay amounting to P3.7 billion was compared with the value of the collateral or the shares of stocks that they will receive. In determining the value of the shares, management assessed that the price of SHDI shares in the PSE as of September 30, 2020 amounting to P1.16 per share or a total value of P4.3 billion is a reasonable estimate of its value. In terms of probability of default, management assessed that it is unlikely or remote (see Note 11.2).

As of September 30, 2020 and December 31, 2019, the value of the put option is still the amount initially recognized as the option price is fully secured by the value of SHDI shares and that the probability of default was assessed to be remote.

### *10.5 Other Commitments and Contingencies*

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying ICFS. Management is of the opinion that losses, if any, from these items will not have any material impact on the ICFS.

In addition, there are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the reporting periods.

## 11. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at fair value through profit or loss ("FVTPL"), financial assets at fair value through other comprehensive income ("FVOCI"), interest-bearing loans, bonds payable, trade receivables and payables and derivative assets and liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

### *11.1 Market Risk*

*(a) Foreign Currency Sensitivity*

Most of the Group's transactions are carried out in Philippine pesos, Euros, UK pounds, HK Dollars and U.S. dollars, which are the functional currencies of the individual subsidiaries making the transactions. The currency exchange risk arises from transactions carried out in currencies other than the functional currency of the subsidiaries at each entity level.

Foreign-currency denominated financial assets and financial liabilities, translated into Philippine pesos at period-end closing rate are as follows:

| | **September 30, 2020 (Unaudited)** | | December 31, 2019 (Audited) | |
|---|---|---|---|---|
| | **U.S. Dollars** | **HK Dollars** | U.S. Dollars | HK Dollars |
| Financial assets | **P 18,141,956,400** | **P 3,315,326,893** | P 3,672,859,651 | P 2,731,732,048 |
| Financial liabilities | **( 38,957,531,826)** | **( 615,534,479)** | ( 25,210,975,247) | ( 935,065,026) |
| | **(P 20,815,575,426)** | **P 2,699,792,414** | (P21,538,115,596) | P 1,796,667,022 |

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and the U.S. dollar – Philippine peso exchange rate assumes +/- 7.14% and +/- 8.62% changes in exchange rate for the nine months ended September 30, 2020 and for the year ended December 31, 2019, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 7.33% and +/- 8.66% changes in exchange rate for the nine months ended September 30, 2020 and for the year ended December 31, 2019, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened (or weakened) against the U.S. dollar, with all other variables held constant, consolidated profit before tax would have increased (or decreased) by P1.5 billion for the nine-month period ended September 30, 2020 and P1.9 billion for the year ended December 31, 2019. If the Philippine peso had strengthened (or weakened) against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased (or increased) by P0.2 billion for the nine-month period ended September 30, 2020 and by P0.2 billion for the year ended December 31, 2019.

The Group's exposure to changes in foreign currency exchange rates for Euros and U.K. pounds are not significant to the Group's consolidated financial statements.

The Group periodically reviews the trend of the foreign exchange rates and monitors its non-functional currency cash flows.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

*(b)* *Interest Rate Sensitivity*

The Group's interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through certain bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to variable interest rates.

The sensitivity of the consolidated profit before tax for the period to a reasonably possible change in interest rates of +/- 2.13% for Philippine peso and +/- 5.19% for U.S. dollar in 2020, and +/- 2.48% for Philippine peso and +/- 2.15% for U.S. dollar in 2019 with effect from the beginning of the period. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at September 30, 2020 and December 31, 2019, with effect estimated from the beginning of the period. All other variables held constant, the consolidated profit before tax would have increased by P1.4 billion for the nine-month period ended September 30, 2020 and P0.1 billion for the year ended December 31, 2019. Conversely, if the interest rates decreased by the same percentage, consolidated profit before tax would have been lower by the same amount.

### *11.2 Credit Risk*

Generally, the Group's credit risk is attributable to trade and other receivables arising mainly from transactions with approved franchisees, installment sales receivables, rental receivables and other financial assets. The carrying values of these financial assets subject to credit risk are disclosed in Note 12.

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

With respect to credit risk arising from the other financial assets of the Group, composed significantly of cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables.

The expected loss rates are based on the payment profiles of sales. Further, the historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group identifies headline inflation rate and bank lending rate to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

Except for real estate sales, contract assets and rental receivables, the Group's financial assets are not covered with any collateral or credit enhancement. Accordingly, the Group manages credit risk by setting limits on the amount of risk in relation to a particular customer including requiring payment of any outstanding receivable before a new credit is extended. Such risk is monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the credit manager.

The Group considers credit enhancements in determining the expected credit loss. Trade receivables from real estate sales are collateralized by the real properties sold while rental receivables are secured to the extent of advanced rental and security deposits received from lessees. Further, customers are required to issue post-dated checks, which provide additional credit enhancement.

Trade and other receivables that are past due but not impaired are as follows:

| | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Not more than 30 days | **P 2,033,635,800** | P 8,516,887,213 |
| 31 to 60 days | **1,051,522,667** | 1,929,541,976 |
| Over 60 days | **3,806,199,210** | 1,939,989,544 |
| | **P 6,891,357,677** | P 12,386,418,733 |

Moreover, the management has assessed that risk over the put option has not increased significantly, as the related probability of any of the put option event from happening is low or remote under the circumstances. Hence, in accordance with the general approach of ECL, the value of the put option was measured on a 12-month basis.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activity and where the value of any assets that the Group may get from the customers is less than the outstanding contractual amounts of the financial assets to be written-off.

### *11.3 Liquidity Risk*

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a nine-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

As of September 30, 2020, the Group's financial liabilities (excluding lease liabilities) have contractual maturities which are presented below.

| | **Current** | | **Non-current** | |
|---|---|---|---|---|
| | **Within 6 Months** | **6 to 12 Months** | **1 to 5 Years** | **Later than 5 Years** |
| Trade and other payables | P 34,848,612,620 | P 22,200,524,841 | P - | P - |
| Interest-bearing loans | 28,292,336,031 | 24,002,167,913 | 137,894,541,061 | - |
| Bonds payable | - | 1,501,788,836 | 29,501,715,883 | 17,848,202,177 |
| Equity-linked debt securities (ELS) | - | - | 3,505,750,000 | - |
| Advances from related parties | - | 1,879,459,875 | - | - |
| Redeemable preferred shares | - | 251,597,580 | 503,195,160 | 1,178,410,720 |
| Guaranty deposits | 113,689,305 | 3,490,659 | 174,904,338 | 228,979,231 |
| Derivative liabilities | 1,191,306,984 | - | - | - |
| Other liabilities | - | 3,349,259,084 | 11,303,420,145 | - |
| | **P64,445,944,940** | **P 53,188,288,788** | **P182,883,526,587** | **P 19,255,592,128** |

As of December 31, 2019, the Group's financial liabilities (excluding lease liabilities) have contractual maturities which are presented below.

| | Current | | Non-current | |
|---|---|---|---|---|
| | Within 6 Months | 6 to 12 Months | 1 to 5 Years | Later than 5 Years |
| Trade and other payables | P 43,158,338,060 | P 14,332,218,291 | P - | P - |
| Interest-bearing loans | 27,021,448,986 | 20,727,346,677 | 147,954,464,100 | 571,214,434 |
| Bonds payable | - | 924,084,260 | 29,401,816,190 | - |
| ELS | - | 1,878,910,098 | 3,523,755,833 | - |
| Advances from related parties | - | 2,244,180,65 | - | - |
| Redeemable preferred shares | - | 263,171,069 | 508,981,904 | 1,574,159,348 |
| Subscription payable | - | 1,114,665,008 | - | - |
| Guaranty deposits | - | 13,248,334 | 99,633,225 | 382,066,767 |
| Derivative liabilities | 809,403,486 | - | - | - |
| Other liabilities | - | 1,700,760,516 | 4,576,838,267 | - |
| | P 70,989,190,532 | P 43,198,584,906 | P186,065,489,519 | P 2,527,440,549 |

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

### *11.4 Other Price Risk Sensitivity*

The Group's market price risk arises from its investments carried at fair value. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the equity as of September 30, 2020 and December 31, 2019 are summarized as follows:

| | **Observed Volatility Rates** | | **Impact on Equity** | |
|---|---|---|---|---|
| | **Increase** | **Decrease** | **Increase** | **Decrease** |
| 2020 - Investment in quoted equity securities at: | | | | |
| FVOCI | **+64.33%** | **-64.33%** | **P 29,977,780** | **(P 29,977,780)** |
| FVTPL | **+64.33%** | **-64.33%** | **1,136,165,685** | **( 1,136,165,685)** |
| 2019 - Investment in quoted equity securities at: | | | | |
| FVOCI | +28.93% | -28.93% | P 18,768,068 | (P 18,768,068) |
| FVTPL | +28.93% | -28.93% | 780,971,707 | ( 780,971,707) |

The maximum additional estimated gain or loss in 2020 and 2019 is to the extent of the carrying value of the securities held as of these reporting dates with all other variables held constant. The estimated change in quoted market price is computed based on volatility of listed companies at the PSE for the past nine months in 2020 and 12 months in 2019, at 95% confidence level.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

## 12. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

| | **September 30, 2020 (Unaudited)** | | December 31, 2019 (Audited) | |
|---|---|---|---|---|
| | **Carrying Values** | **Fair Values** | Carrying Values | Fair Values |
| ***Financial Assets*** | | | | |
| Financial assets at amortized cost: | | | | |
| Cash and cash equivalents | **P 73,751,782,939** | **P 73,751,782,939** | P 51,270,580,951 | P 51,270,580,951 |
| Trade and other receivables | **61,117,316,709** | **61,117,316,709** | 60,370,771,084 | 60,809,329,717 |
| Other financial assets | **9,513,428,850** | **9,451,036,001** | 9,910,569,663 | 9,822,505,589 |
| | **P 144,382,528,498** | **P 144,320,135,649** | P121,551,921,698 | P 121,902,416,257 |
| Financial assets at FVTPL – | | | | |
| Marketable debt and equity securities | **P 10,231,856,107** | **P 10,231,856,107** | P 12,045,110,108 | P 12,045,110,108 |
| Financial assets at FVOCI – | | | | |
| Equity securities | **P 779,848,572** | **P 779,848,572** | P 416,657,341 | P 416,657,341 |
| ***Financial Liabilities*** | | | | |
| Financial liabilities at FVTPL – | | | | |
| Derivative liabilities | **P 1,191,306,984** | **P 1,191,306,984** | P 809,403,486 | P 809,403,486 |
| Financial liabilities at amortized cost: | | | | |
| Current: | | | | |
| Trade and other payables | **P 61,842,198,207** | **P 61,842,198,207** | P 56,940,281,897 | P 56,940,281,897 |
| Interest-bearing loans | **44,346,911,736** | **44,343,073,895** | 40,869,676,836 | 40,568,501,427 |
| Subscription payable | **1,114,665,008** | **1,114,665,008** | 1,114,665,008 | 1,114,665,008 |
| Redeemable preferred shares | **251,597,580** | **251,597,580** | 251,597,580 | 251,597,580 |
| Advances from related parties | **1,879,459,875** | **1,879,459,875** | 2,244,180,653 | 2,244,180,653 |
| ELS | **-** | **-** | 1,836,250,000 | 1,836,250,000 |
| Commission payable | **4,109,409,738** | **4,109,409,738** | 1,700,760,516 | 1,700,760,516 |
| | **P 113,544,242,144** | **P 113,540,404,303** | P 104,957,412,490 | P104,656,237,081 |
| Non-current: | | | | |
| Bonds payable | **P 40,515,706,185** | **P 38,273,170,434** | P 24,623,883,690 | P 23,667,412,590 |
| Interest-bearing loans | **133,667,474,418** | **128,585,889,707** | 138,283,436,876 | 137,520,164,323 |
| ELS | **3,443,750,000** | **3,443,750,000** | 3,443,750,000 | 3,443,750,000 |
| Redeemable preferred shares | **1,681,605,880** | **1,922,614,609** | 1,580,915,329 | 1,810,767,064 |
| Retention payable | **3,541,906,536** | **3,541,906,536** | 3,698,890,599 | 3,698,890,599 |
| Security deposits | **741,507,436** | **706,390,318** | 735,004,738 | 667,137,320 |
| Accrued rent | **24,284,786** | **24,284,786** | 24,284,786 | 24,284,786 |
| | **P 183,616,235,241** | **P 176,498,006,390** | P 172,390,166,018 | P 170,832,406,682 |

## 13. FAIR VALUE MEASUREMENT AND DISCLOSURES

### *13.1 Fair Value Hierarchy*

The hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets or for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation techniques, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3

### *13.2 Financial Instruments Measured at Fair Value*

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of September 30, 2020 and December 31, 2019.

| | September 30, 2020 (Unaudited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| ***Financial assets:*** | | | | |
| Financial assets at FVTPL – Debt and equity securities | P 10,231,856,107 | P - | P - | P 10,231,856,107 |
| Financial assets at FVOCI – Equity securities | 46,600,000 | 125,600,000 | 607,648,572 | 779,848,572 |
| | **P 10,278,456,107** | **P 125,600,000** | **P 607,648,572** | **P 11,011,704,679** |
| ***Financial liabilities:*** | | | | |
| Financial liability at FVTPL – Derivative liabilities | **P -** | **P 1,191,306,984** | **P -** | **P 1,191,306,984** |

| | December 31, 2019 (Audited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| *Financial assets:* | | | | |
| Financial assets at FVTPL – Debt and equity securities | P 12,045,110,108 | P - | P - | P 12,045,110,108 |
| Financial assets at FVOCI – Equity securities | 64,874,067 | 136,200,000 | 215,583,274 | 416,657,341 |
| | P 12,109,984,175 | P 136,200,000 | P 215,583,274 | P 12,461,767,449 |
| *Financial liabilities:* | | | | |
| Financial liability at FVTPL – Derivative liabilities | P - | P 809,403,486 | P - | P 809,403,486 |

### 13.3 *Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed*

The table below and in the succeeding page shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of September 30, 2020 and December 31, 2019.

| | **September 30, 2020 (Unaudited)** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial assets:*** | | | | |
| Cash and cash equivalents | P 73,751,782,939 | P - | P - | P 73,751,782,939 |
| Trade and other receivables | - | 97,119,376 | 61,020,197,333 | 61,117,316,709 |
| Other financial assets | 3,073,431,668 | - | 6,377,604,333 | 9,451,036,001 |
| | **P 76,825,214,607** | **P 97,119,376** | **P 67,397,801,666** | **P 144,320,135,649** |
| ***Financial liabilities:*** | | | | |
| Current: | | | | |
| Trade and other payables | P - | P - | P 61,842,198,207 | P 61,842,198,207 |
| Interest-bearing loans | - | - | 44,343,073,895 | 44,343,073,895 |
| Subscription payable | - | - | 1,114,665,008 | 1,114,665,008 |
| Advances from related parties | - | - | 1,879,459,875 | 1,879,459,875 |
| Redeemable preferred shares | - | - | 251,597,580 | 251,597,580 |
| Commission payable | - | - | 4,109,409,738 | 4,109,409,738 |
| Non-current: | | | | |
| Bonds payable | 38,273,170,434 | - | - | 38,273,170,434 |
| Interest-bearing loans | - | - | 128,585,889,707 | 128,585,889,707 |
| ELS | - | - | 3,443,750,000 | 3,443,750,000 |
| Redeemable preferred shares | - | - | 1,922,614,609 | 1,922,614,609 |
| Retention payable | - | - | 3,541,906,536 | 3,541,906,536 |
| Security deposits | - | - | 706,390,318 | 706,390,318 |
| Accrued rent | - | - | 24,284,786 | 24,284,786 |
| | **P 38,273,170,434** | **P -** | **P251,765,240,259** | **P 290,038,410,693** |

| | December 31, 2019 (Audited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| *Financial assets:* | | | | |
| Cash and cash equivalents | P 51,270,580,951 | P - | P - | P 51,270,580,951 |
| Trade and other receivables | - | 109,940,351 | 60,699,389,366 | 60,809,329,717 |
| Other financial assets | 3,401,384,081 | - | 6,421,121,508 | 9,822,505,589 |
| | P 54,671,965,032 | P 109,940,351 | P 67,120,510,874 | P 121,902,416,257 |

| | December 31, 2019 (Audited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| *Financial liabilities:* | | | | |
| Current: | | | | |
| Trade and other payables | P - | P - | P 56,940,281,897 | P 56,940,281,897 |
| Interest-bearing loans | - | - | 40,568,501,427 | 40,568,501,427 |
| Subscription payable | - | - | 1,114,665,008 | 1,114,665,008 |
| Advances from related parties | - | - | 2,244,180,653 | 2,244,180,653 |
| Redeemable preferred shares | - | - | 251,597,580 | 251,597,580 |
| ELS | - | - | 1,836,250,000 | 1,836,250,000 |
| Commission payable | - | - | 1,700,760,516 | 1,700,760,516 |
| Non-current: | | | | |
| Bonds payable | 23,667,412,590 | - | | 23,667,412,590 |
| Interest-bearing loans | - | - | 137,520,164,323 | 137,520,164,323 |
| ELS | - | - | 3,443,750,000 | 3,443,750,000 |
| Redeemable preferred shares | - | - | 1,810,767,064 | 1,810,767,064 |
| Retention payable | - | - | 3,698,890,599 | 3,698,890,599 |
| Security deposits | - | - | 667,137,320 | 667,137,320 |
| Accrued rent | - | - | 24,284,786 | 24,284,786 |
| | P 23,667,412,590 | P - | P251,821,231,173 | P 275,488,643,763 |

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

### *13.4 Investment Property Measured at Cost for which Fair Value is Disclosed*

The fair value of the Group's investment properties earning rental income was determined through discounted cash flows valuation technique. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group determines the fair value of idle properties through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adjusted for specific market factors such as location and condition of the property.

As of September 30, 2020, the fair value of the Group's investment property amounting to P440.7 billion is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of investment properties earning rental income was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

## 14. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

There were no changes in the Group's approach to capital management during the period.

| | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Total liabilities | **P 374,746,972,694** | P 347,359,532,963 |
| Total equity | **294,657,779,775** | 297,116,795,504 |
| Liabilities-to-equity ratio | **P 1.27:1** | P 1.17:1 |

## 15. SEASONAL FLUCTUATIONS

For Travellers, casino operations tend to experience seasonality in visitations during public holidays, festivals in the Philippines and around South East Asian region.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**
**AGING SCHEDULE OF CURRENT TRADE AND OTHER RECEIVABLES**
**September 30, 2020**
***(Amounts in Philippine Pesos)***

| | | |
|---|---|---|
| Current | P | 61,805,001,638 |
| 1 to 30 days | | 2,033,635,800 |
| 31 to 60 days | | 1,051,522,667 |
| Over 60 days | | 3,806,199,210 |
| Total | | 68,696,359,315 |
| Due from other related parties | | 827,349,787 |
| **Balance as at September 30, 2020** | **P** | **69,523,709,102** |