# 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, 2021)

**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

| 999 | | |
|---|---|---|
| Total No. of Stockholders | Domestic | Foreign |

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To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

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**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, 2021**

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** | **9,649,225,479**<br>(net of 620,602,500 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, 2020 ("ACFS"). The accounting policies and methods used in the ICFS are consistent with those applied in ACFS. There were no amendments to existing standards adopted by the Group effective January 1, 2021. 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 part of Treasury Shares 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

*Key Performance Indicators – Top Five*

| *In Million Pesos* | **M9 2021** | M9 2020 | YoY | % | **Q3 2021** | Q3 2020 | YoY % | QoQ % | Q2 2021 | Q2 2020 | YoY % | Q1 2021 | Q1 2020 | YoY % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| REVENUES | **110,051** | 91,781 | 18,270 | **20** | **38,901** | 30,401 | 28 | -1 | 39,343 | 23,346 | 69 | 31,807 | 38,034 | -16 |
| NET PROFIT ["NP"] | **17,333** | 6,353 | 10,980 | **173** | **4,573** | 2.210 | 107 | -52 | 9,556 | 156 | 6032 | 3,204 | 3,987 | -20 |
| NET PROFIT TO OWNERS ["NPO"] | **12,027** | 5,828 | 6,199 | **106** | **3,518** | 2,030 | 73 | -41 | 5,945 | 838 | 610 | 2,564 | 2,960 | -13 |
| NP rate ["NPR"] | **15.8%** | 6.9% | | | **11.8%** | 7.3% | | | 24.3% | 0.7% | | 10.1% | 10.5% | |
| NPO rate ["NPOR"] | **10.9%** | 6.4% | | | **9.0%** | 6.7% | | | 15.1% | 3.6% | | 8.1% | 7.8% | |
| Return on investment/assets [NP/TA] | **2.6%** 9 mos | 1.0% 9 mos | | | | 0.3% 3mos | | | 1.9% half yr | 0.6% half yr | | 0.5% 3mos | 0.6% 3mos | |
| | **Sept30, 2021** | Dec 31, 2020 | +/- | % | | | | | June30, 2021 | June30, 2020 | | Mar31, 2021 | Mar31, 2020 | |
| TOTAL ASSETS | 680,670 | 668,493 | 12,177 | 2 | | | | | 668,766 | 645,279 | | 669,465 | 648,193 | |
| CURRENT ASSETS | 324,144 | 316,397 | 7,747 | 2 | | | | | 319,394 | 295,878 | | 316,881 | 301,036 | |
| CURRENT LIABILITIES | 142,859 | 155,833 | -12,974 | -8 | | | | | 135,623 | 132,682 | | 144,867 | 130,372 | |
| Current ratio | **2.3** | 2.0 | | | | | | | 2.4 | 2.2 | | 2.2 | 2.3 | |
| Quick ratio | **1.0** | 0.9 | | | | | | | 1.1 | 1.0 | | 1.0 | 1.0 | |
| | **M9 2021** | M9 2020 | YoY | % | Q3 2021 | Q3 2020 | YoY % | QoQ % | Q2 2021 | Q2 2020 | YoY % | Q1 2021 | Q1 2020 | YoY % |
| Profit before tax and interest | 27,745 | 15,234 | 12,511 | 82 | 7,855 | 5,075 | 55 | -42 | 13,622 | 2,769 | 392 | 6,268 | 7,391 | -15 |
| Interest expense | 5,313 | 5,044 | 270 | 5 | 1,878 | 1,671 | 12 | 12 | 1,684 | 1,698 | -1 | 1,751 | 1,675 | 5 |
| Interest coverage rate | **5.2** | 3.0 | | | 4.2 | 3.0 | | | 8.1 | 1.6 | | 3.6 | 4.4 | |

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

- 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 – Nine Months 2021 vs 2020*

**The Group** continued to perform strongly in a volatile environment[1], surpassing comparable periods in 2020, anchored on the strength of its diversified revenue streams, strong brand equity

[1] *The COVID-19 pandemic is continuing globally in 2021. From a public health emergency of international concern in January 2020, the outbreak was declared as a pandemic on March 11, 2020 by WHO. On March 9, President Duterte declared a state of public health emergency and on March 17, put the Philippines under state of calamity. MM and the entire Luzon and its associated islands were under total lockdown [Enhanced Community Quarantine ("ECQ")] for two months that paralyzed all non-essential activities and public transportation. The whole country transitioned to four phases of community quarantines ("CQ") with easing degrees of restrictions, depending on the severity of infection cases in the locality. Spain, Uk and Mexico,*

and optimized cost management. Net profit ("NP") and net profit to owners ("NPO") for the first nine months were already 169% and 136% of last year's full year results, respectively, while revenues and other income were just 15% shy of last year's full year number.

**The Group** ended the nine-month period with P110.1 billion consolidated revenues and other income, P17.3 billion NP and P12.0 billion NPO, respectively soaring 20%, 173% and 106% year-on-year, on the back of a resilient third quarter ("Q3") results during which hard lockdowns were reimposed to curb a surge in Delta-variant COVID-19 cases. All segments performed positively.

Year-on-year, NP and NPO in Q3 leaped 107% and 73% to P4.6 billion and P3.5 billion, respectively, while revenues and other income jumped 28% to P38.9 billion. Quarter-on-quarter, however, the growth momentum decelerated because of the heightened restrictions which were experienced in two months of Q3. The Group, nevertheless, turned over revenues and other income at about same level as previous quarter. NP rate ("NPR") remained healthy at 12% for Q3 and 16% year-to-date.

During the period, a one-time P5.6 billion income booked by subsidiaries of Travellers boosted other income, NP and NPO while a P0.7 billion non-cash deferred tax expense taken up at Emperador's consolidation for its UK segment dampened NP and NPO.

| *In Million Pesos*<br>*Effect in Group's Results* | Amount | M9 NP +(-) | M9 NPO +(-) | Q3 NP | Q3 NPO | Q2 NP | Q2 NPO |
|---|---|---|---|---|---|---|---|
| OTHER INCOME - Travellers- One-time income of subsidiary | 5,626 | 5,626 | 2,794 | 223 | 124 | 4,790<br>613*<br>5,403 | 2,367<br>303*<br>2,670 |
| TAX EXPENSE - Emperador- non-cash deferred tax at UK consolidation | (672) | (672) | (577) | (10) | (14) | (662) | (563) |
| Net Effect | 4,954 | 4,954 | 2,217 | 213 | 110 | 4,741 | 2,107 |
| **These were fees reclassified by Travellers as part of non-recurring income..* | | | | | | | |

*Before these items* (may interchangeably be referred to as "*Normalized*" hereon), the Group's topline and bottomlines for Q3 and year-to-date were already robust year-on-year as shown below. Normalized NP at P4.4 billion and Normalized NPO at P3.4 billion accelerated 97% and 68% year-on-year, respectively, and these lifted the nine months Normalized NP to P12.4 billion and Normalized NPO to P9.8 billion, respectively rising 95% and 68% year-on-year.

| *In Million Pesos* | **M9 2021** | M9 2020 | YoY | % | Q3 2021 | Q3 2020 | YoY |
|---|---|---|---|---|---|---|---|
| REVENUES AND OTHER INCOME | **110,051** | 91,781 | 18,270 | 20% | 38,901 | 30,401 | 28% |
| REVENUES AND OTHER INCOME Normalized | **104,425** | 91,781 | 12,644 | 14% | 38,678 | 30,401 | 27% |
| NP | **17,333** | 6,353 | 10,980 | 173% | 4,573 | 2,210 | 107% |
| NP Normalized | **12,379** | 6,353 | 6,025 | 95% | 4,360 | 2,210 | 97% |
| NPO | **12,027** | 5,828 | 6,199 | 106% | 3,518 | 2,030 | 73% |
| NPO Normalized | **9,810** | 5,828 | 3,982 | 68% | 3,408 | 2,030 | 68% |
| NPR | **15.8%** | 6.9% | | | 11.8% | 7.3% | |
| NPR Normalized | **11.9%** | 6.9% | | | 11.3% | 7.3% | |
| NPOR | **10.9%** | 6.4% | | | 9.0% | 6.7% | |
| NPOR Normalized | **9.4%** | 6.4% | | | 8.8% | 6.7% | |
| | | | | | | | |

*whre the Group operate, experience similar lockdown stages and eeasement of restrictions. During the current interim period, the country was at the varying degrees of CQs; Spain, UK and Mexico experienced similar tightening of lockdown restrictions. during the current interim period, and had relaxed restrictions sometime in second quarter. New variants are coming out and causing certain upsurges globally in third quarter onwards and some countries are re-imposing restrictions. Metro Manila went back to stricter lockdowns in August-September this year and was under Alert Level 3 up to November 4. It is now under a relaxed Alert Level 2 up to end-November. Vaccination programs have started worldwide and vaccination passports are now in place. Some countries are on their booster shots.*

| *In Million Pesos* | **M9 2021** | M9 2020 | YoY | % | Q3 2021 | Q3 2020 | YoY |
|---|---|---|---|---|---|---|---|
| Return on investment/assets [NP/TA] | **2.6%** 9 mos | 1.0% 9 mos | | | | | |
| ROA Normalized | **1.8%** | 1.0% | | | | | |

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

| *In Million Pesos* | Contri-bution | M92021 Pre Conso | M9 2021 Conso | M92020 Pre Conso | M9 2020 Conso | YoY | YoY % | Q3 2021 Conso | Q3 2020 Conso | YoY % | QoQ % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues and other income** | 100% | 114,616 | **110,051** | 100,672 | **91,781** | **18,270** | **20%** | **38,901** | **30,401** | **28%** | **-1%** |
| Megaworld | 33% | 36,870 | 36,600 | 32,690 | 32,380 | 4,219 | 13% | 14,616 | 8,793 | 66% | 22% |
| Emperador | 34% | 37,945 | 37,929 | 34,349 | 34,334 | 3,596 | 10% | 12,649 | 12,955 | -2% | -5% |
| Travellers | 14% | 15,570 | 15,559 | 8,845 | 8,645 | 6,914 | 80% | 3,805 | 2,520 | 51% | -52% |
| Golden Arches | 17% | 18,176 | 18,176 | 14,340 | 14,340 | 3,836 | 27% | 6,348 | 4,644 | 37% | 3% |
| Others | 2% | 6,054 | 1,787 | 10,448 | 2,082 | (295) | -14% | 1,483 | 1,489 | -0.4% | n/m |
| **Costs and expenses** | 100% | 87,949 | 87,619 | 81,939 | 81,590 | 6,029 | 7% | 32,924 | 26,997 | 22% | 20% |
| Megaworld | 30% | 26,095 | 26,095 | 21,803 | 21,803 | 4,291 | 20% | 10,624 | 5,954 | 78% | 25% |
| Emperador | 32% | 28,432 | 28,333 | 27,506 | 27,395 | 938 | 3% | 9,916 | 9,930 | - | 12% |
| Travellers | 15% | 13,420 | 13,290 | 14,246 | 14,101 | (811) | -6% | 4,538 | 4,385 | 3% | 17% |
| Golden Arches | 20% | 17,275 | 17,190 | 15,271 | 15,193 | 1,997 | 13% | 6,132 | 4,841 | 27% | 6% |
| Others | 3% | 2,727 | 2,712 | 3,113 | 3,098 | (385) | -12% | 1,714 | 1,886 | -9% | 387% |
| **Tax expense** | 100% | 5,099 | 5,099 | 3,837 | 3,837 | 1,262 | 33% | 1,404 | 1,193 | 18% | -41% |
| Megaworld | 42% | 2,161 | 2,161 | 2,774 | 2,774 | (613) | -22% | 816 | 712 | 15% | 13% |
| Emperador | 42% | 2,152 | 2,152 | 960 | 960 | 1,191 | 124% | 478 | 421 | 14% | -63% |
| Travellers | 0.2% | 8 | 8 | 40 | 40 | (32) | -80% | 2 | 8 | -72% | -57% |
| Golden Arches | 14% | 724 | 724 | 44 | 44 | 680 | 1535% | 56 | 36 | 56% | -84% |
| Others | 1% | 54 | 54 | 18 | 18 | 36 | 195% | 52 | 17 | 208% | n/m |
| **Net Profit** | 100% | 21,568 | **17,333** | 14,895 | **6,353** | **10,980** | **173%** | **4,573** | 2,210 | 107% | -52% |
| Megaworld | 48% | 8,615 | 8,344 | 8,113 | 7,803 | 541 | 7% | 3,176 | 2,127 | 49% | 16% |
| Emperador | 43% | 7,362 | 7,445 | 5,882 | 5,978 | 1,467 | 24% | 2,254 | 2,603 | -13% | -26% |
| Travellers | 13% | 2,141 | 2,261 | (5,442) | (5,496) | 7,758 | 141% | (735) | (1,873) | 61% | -118% |
| Golden Arches | 2% | 177 | 262 | (975) | (897) | 1,160 | 129% | 160 | (233) | 169% | 3,505% |
| Others | -6% | 3,272 | (980) | 7,317 | (1,035) | 55 | 5% | (283) | (414) | 32% | -17% |
| **Net Profit to Owners** | 100% | 20,737 | **12,027** | 14,196 | **5,828** | **6,199** | **106%** | **3,518** | 2,030 | 73% | -41% |
| Megaworld | 46% | 8,158 | 5,474 | 7,416 | 4,964 | 510 | 10% | 2,121 | 1,358 | 56% | 22% |
| Emperador | 52% | 7,259 | 6,313 | 5,869 | 5,035 | 1,278 | 25% | 1,931 | 2,184 | -12% | -26% |
| Travellers | 9% | 1,864 | 1,045 | (5,438) | (2,741) | 3,786 | 138% | (345) | (998) | 65% | -118% |
| Golden Arches | 1% | 183 | 175 | (967) | (396) | 570 | 144% | 94 | (100) | 194% | 466% |
| Others | -8% | 3,272 | (980) | 7,317 | (1,035) | 55 | 5% | (282) | (414) | 32% | -17% |

*Notes: Numbers may not add up due to rounding off*
*"Pre-conso" refers to numbers at subsidiary level; revenues and other income here presented may slightly differ due to reclassifications for alignment made at consolidation level. "Conso" represent consolidated numbers from external customers, i.e. after elimination/consolidation adjustments.*

**Megaworld**, the county's largest developer of integrated urban townships, posted revenues and other income of P36.9 billion, net profit of P8.6 billion and net profit to its owners of P8.2 billion rising 10%, 6% and 10% year-on-year. Continuing the robust growth in Q2 from all its segments, the group reported in Q3 revenues of P14.5 billion, net profit of P3.3 billion and net profit to its owners of P3.2 billion, soaring 50%, 46% and 57%, respectively, from a year ago and leaping 18%, 14% and 19%, respectively, from Q2 this year.

Real estate sales in Q3 jumped 102% year-on-year to P9.6 billion, up 26% quarter-on-quarter, as construction activities increased despite the hard lockdown during the quarter, bringing year-to-date real estate sales to P23.1 billion, up 21% year-on-year. The current brand mix for Megaworld-GERI-Empire East-Suntrust/SLI was 64%-12%-12%-12%. About 68% of sales were for Metro Manila projects, 16% Cavite-Laguna-Batangas-Rizal and 7% Iloilo.

Rental income in Q3 at P3.3 billion was at about the same level a year ago yet it grew 4% quarter-on-quarter due to new leases and renewal contracts during the quarter. Mall rentals continued on its recovery trend since third quarter of 2020. The company's lifestyle mall business rolled out initiatives to encourage foot traffic and expand online sales channels as the lockdown restrictions were easing, resulting in Q3's 16% growth year-on-year as mall occupancy rates improved to 82%. Office rentals increased 7% quarter-on-quarter as overall occupancy rates were maintained at 90% with the resurgence of demand from the BPO sector.

Hotel revenues in Q3 climbed 121% year-on-year and 42% quarter-on-quarter to P0.6 billion as travel restrictions eased, from in-city bookings and opening of Kingsford Hotel in Westside City last March. Hotel revenues for the nine-month period closed at P1.3 billion, up 9% year-on-year.

These operating results brought in 33%, 48% and 46% to AGI's consolidated revenues and other income, 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, performed very strongly in the first nine months as it surpassed comparable periods in 2020 and 2019 (pre-pandemic), anchored on the strength of its diversified brands and international operations. Its revenues and other income for nine months jumped 11% year-on-year to P38.4 billion with profit before tax soaring 39% to P9.5 billion. Gross profit rate ("GPR") improved to 37% as compared to 35% in comparable period last year and 31% for full year 2020. This is largely attributed to sales growth (11%) outpacing cost of goods sold growth (8%), which is further attributed to sales product mix (sales of high-priced/high-margin products increased) during the period. On-trade business has also opened up in Europe and most regions during the current interim period, with certain restrictions, while Metro Manila and key cities were under hard lockdown about two months of third quarter. The group ended the first nine months of the year with NP surging 25% to P7.4 billion and NPO escalating 24% to P7.3 billion. NPR accelerated to 19% as compared to 17% in nine months of last year and 15% full year of last year, as the Group maintained caution and optimization in its spending.

While both segments showed sturdy results, Scotch Whisky grew stronger as it took up 35% of the revenue pie for the interim period, from 30% share in full year 2020 and 27% in year 2019.

| Revenue and other income share | **M9 2021** | M9 2020 | **Q3 2021** | Q3 2020 | Q2 2021 | Q2 2020 | Q1 2021 | Q1 2020 | YE 2020 | YE 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| Brandy | **65%** | 68% | **65%** | 66% | 62% | 67% | 68% | 71% | 70% | 73% |
| S. Whisky | **35%** | 32% | **35%** | 34% | 38% | 33% | 32% | 29% | **30%** | 27% |

Brandy sales in the first nine months grew year-on-year at both the Philippine and international shores, particularly in Mexico, Spain and USA where restriction on on-trade business has already loosened up. 'Emperador', 'Fundador', 'Presidente', and 'Terry' remained as the top-selling brandy brands, with sales increases registered during the interim period. Scotch Whisky sales was largely driven by its single malt products. UK off-trade and e-commerce demands continued to remain high while on-trade (which was shut throughout the first quarter) opened up in April with some restrictions and now fully working with no restrictions in place. 'Jura' continues to be the no. 1 malt brand in the UK Off-trade, with 11% volume growth year-on-year. 'Harveys Bristol Cream' was selling well in UK. While restrictions have been easing up in some global markets, certain countries were re-imposing restrictions recently. Outside UK, there were significant growths in practically all regions, especially in Asia, Europe, USA (where tariffs are currently suspended), Latin America and developing markets. Global Travel Retail was also tracking ahead of last year with Asia and Europe driving the upsides.

A P0.7 billion non-cash deferred tax expense was taken up in Q2 under Emperador's Scotch

Whisky segment and slashed Emperador's NP and NPO in Q2. The non-cash adjustment was triggered by the increase in UK corporate tax rates (effective April 1, 2023) that received Royal Assent in June 2021. It pertains to intangible assets at consolidation level, does not affect operating results and would not be paid or realized unless the UK business is sold or liquidated. Normalized NP and Normalized NPO of Emperador were as shown below.

| *In Million Pesos* ***At Emperador level*** | **M9** | M9 | **YoY** | **Q3** | YoY | Q2 | YoY |
|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | **%** | **2021** | % | 2021 | % |
| NP | **7,362** | 5,882 | **25%** | **2,232** | -13% | 3,031 | 60% |
| NPO | **7,259** | 5,869 | **24%** | **2,175** | -14% | 3,000 | 60% |
| NP Normalized | **8,034** | 5,882 | **37%** | **2,242** | -13% | 3,693 | 95% |
| NPO Normalized | **7,931** | 5,869 | **35%** | **2,185** | -14% | 3,662 | 96% |

For the first nine months of the year, Emperador group contributed 34% to AGI's consolidated revenues and other income, 43% to consolidated net profit, and 52% to consolidated net profit attributable to AGI owners.

**Travellers,** the owner and operator of Resorts World Manila (RWM), performed strongly year-on-year amid the easing, heightening and reimpositioning of lockdown restrictions. RWM reported core revenues of P9.9 billion year-to-date, a 16% hike from P8.6 billion a year ago, and a one-time income/fee of P5.6 billion of a foreign subsidiary in relation to the Westside City Project. As a result, NP surged to P2.1 billion, up 139% year-on-year. Taking out the effect of this one-time income/fee, Normalized topline and bottomline numbers showed improvement year-on-year.

| *In million Pesos* ***At Travellers level*** | **M9** | M9 | **YoY** | **Q3** | YoY | Q2 | YoY |
|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | **%** | **2021** | % | 2021 | % |
| Revenues and other income | **15,570** | 8,845 | **76%** | **3,812** | 53% | 7,989 | 739% |
| NP | **2,141** | -5,442 | **139%** | **-771** | 55% | 4,009 | 248% |
| NPO | **1,864** | -5,438 | **134%** | **-980** | 43% | 3,939 | 246% |
| Revenues and other income Normalized | **9,943** | 8,845 | **12%** | **3,588** | 44% | 2,586 | 172% |
| NP Normalized | **-3,485** | -5,442 | **36%** | **-994** | 43% | -1,394 | 48% |
| NPO Normalized | **-3,763** | -5,438 | **31%** | **-1,202** | 30% | -1,464 | 46% |

Gross gaming revenues jumped 37% to P12.8 billion due to improvement in overall drops and higher gaming table capacity. With increased activity, promotional allowance expanded to P4.8 billion, up 66% year-on-year. Net gaming revenues increased 24% year-on-year to P8.0 billion

Non-gaming revenues (from hotel, food, beverage and other businesses) were still down 11% year-on-year to P1.9 billion due to less foot traffic and lower room revenue attributed to lockdown restrictions. Hotel occupancy rates in RWM ranged 50% to 75% for the nine months period. The Iloilo hotel registered a 5% occupancy rate due to continuous lockdown in place.

Travellers group accounted for 14%, 13% and 9% of AGI's consolidated revenues and other income, 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 its core revenues for the first nine months of the year to P17.7 billion, up 25% year-on-year. Q3 revenues grew 33% year-on-year to P5.9 billion, which was 3%

less than Q2 due to the impact of hard lockdown, longer curfew hours, limited dine-in and heightened restrictions for starting August. With slower growth in costs and expenses, NP continued to recover, ending the nine-month period with P0.2 billion from P1.0 billion on the red, a 118% upswing year-on-year. Q3 NP likewise grew 151% year-on-year P0.1 billion, up 7.5times quarter-on-quarter. Margins during the interim periods improved versus comparable periods of 2020.

As restrictions were easing towards mid-September, 64% of temporarily closed stores were reopened, that by the end of September about 98% of store portfolio were already reopened. Foot traffic to McDonald's restaurants, penetration and frequency increased compared to previous quarters. Focus on consumers' priorities – safety, affordability, accessibility – and strong execution of programs drove the brands's sales performance. Consistent low-price messaging and more aggressive promotions were activated and amplified in priority channels like delivery and drive-thru. Same-store sales in Q3 grew 38% year-on-year as compared to -16% and 109% in Q1 and Q2 of the year, bringing the year-to-date growth to 27% year-on-year. Systemwide sales expanded 42% year-on-year in Q3 and 29% for nine months. Total store count stood at 657 as the group opened 14 stores and closed 12 during the first nine months of current year. Stores were concentrated 82% in Luzon.

These operating results translated into 17% contribution to consolidated revenues and other income, 2% to consolidated net profit and 1% to net profit to owners of AGI.

*By profit and loss accounts:*

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

| *First Nine Months- In Million Pesos* | 2021 | 2020 | Y-o-Y | Y-o-Y % |
|---|---|---|---|---|
| REVENUES AND OTHER INCOME | | | | |
| Sale of goods | 62,374 | 53,704 | 8,671 | 16% |
| Consumer goods | 39,227 | 34,643 | 4,584 | 13% |
| Revenues from real estate (RE) sales | 23,148 | 19,060 | 4,087 | 21% |
| Rendering of services | 38,994 | 34,519 | 4,476 | 13% |
| Gaming | 12,827 | 9,335 | 3,492 | 37% |
| Less: Promotional allowance | 4,829 | 2,905 | 1,924 | 66% |
| Net Gaming | 7,998 | 6,430 | 1,568 | 24% |
| Sales by company-operated quick-service restaurants | 16,160 | 12,858 | 3,302 | 26% |
| Franchise revenues | 1,560 | 1,327 | 233 | 18% |
| Rental income | 9,878 | 10,661 | -782 | -7% |
| Others | 3,399 | 3,243 | 155 | 5% |
| Hotel operations | 2,836 | 2,685 | 152 | 6% |
| Other services | 562 | 559 | 3 | 1% |
| Share in net profits of associates and joint ventures | | 16 | -16 | -100% |
| Finance and other income | 8,682 | 3,543 | 5,139 | 145% |
| TOTAL | 110,051 | 91,781 | 18,270 | 20% |
| COSTS AND EXPENSES | | | | |
| Cost of goods sold | 37,565 | 33,216 | 4,348 | 13% |
| Consumer goods sold | 25,087 | 22,633 | 2,454 | 11% |
| RE sales | 12,478 | 10,583 | 1,894 | 18% |
| Cost of services | 21,910 | 20,195 | 1,715 | 8% |
| Gaming | 4,529 | 4,389 | 139 | 3% |
| Services | 17,381 | 15,805 | 1,576 | 10% |
| Other operating expenses | 21,492 | 21,712 | -220 | -1% |
| Selling and marketing | 7,639 | 7,773 | -135 | -2% |
| General and administrative | 13,853 | 13,939 | -86 | -1% |
| Share in net losses of associates and joint ventures | 403 | | 403 | 100% |
| Finance costs and other charges | 6,250 | 6,467 | -217 | -3% |
| TOTAL | 87,619 | 81,591 | 6,029 | 7% |

| *First Nine Months- In Million Pesos* | 2021 | 2020 | Y-o-Y | Y-o-Y % |
|---|---|---|---|---|
| TAX EXPENSE | 5,099 | 3,837 | 1,262 | 33% |
| NET PROFIT | 17,333 | 6,353 | 10,980 | 173% |
| NET PROFIT TO OWNERS | 12,027 | 5,828 | 6,199 | 106% |

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

**Revenues and other income** year-todate increased 20% or P18.3 billion year-on-year to P110.0 billion, lifted up by a 28% rise year-on-year in Q3 to P38.9 billion. **Sales of goods** (real estate, alcoholic beverages and snack products) increased 16% or P8.7 billion year-on-year as both real estate and consumer goods showed strong growths of 21% and 13%, respectively, from a year ago, attributed to opening up of economy. **Service revenues** (gaming, hotels, quick-service restaurants, cinemas and theaters, leasing, hotels and other related services) climbed 13% or P4.5 billion year-on-year as net gaming revenues, sales of quick-service restaurants, franchised revenues and hotel operations improved by 24% (+P1.6 billion), 26% (+P3.3 billion), 18% (+P0.2 billion), and 6% (+P0.2 billion), respectively, offset by 7% fall (P-0.8 billion) in rental income. **Share in net profits of associates and joint ventures** during the first quarter reversed to P0.4 billion on the red by the end of the nine-month period. **Finance and other income** soared 145% or P5.1 billion mainly due to P5.6 billion one-time income from services rendered by a foreign subsidiary of Travellers in relation to the Westside City project.

**Costs and expenses** stepped up 7% or P6.0 billion year-on-year to P87.6 billion, providing good profit margins. **Cost of goods sold** and **cost of services** increased 13% (+P4.3 billion) and 8% (+P1.7 billion), respectively, due to increases in revenues, yet at a slower pace. **Other operating expenses** went down slightly by 1% (- P0.2 billion) year-on-year due to optimization of spending. **Share in net losses of associates and joint ventures** was reported mainly due to incurred losses of an associate of Megaworld. **Finance and other charges** fell 3% (-P0.2 billion) due to lower foreign currency losses recorded from a year ago.

**Tax expense** ballooned 33% or P1.3 billion to P5.1 billion due to P0.7 billion one-time non-cash deferred tax adjustment of Emperador principally on intangible assets at consolidation level, triggered by the increase in corporation tax rates in UK (effective April 1, 2023) that received Royal Assent in June 2021. This non-cash item does not affect UK stand-alone operating results and will never be paid in the far future unless the UK business is sold or liquidated.

**Earnings before interest, taxes, depreciation and amortizations (EBITDA)**, computed as net profit before income taxes, interest expense, depreciation and amortizations showed an increase of 56% to P35.7 billion from P22.9 billion last year, exhibiting 32% and 25% EBITDA rate, respectively.

**Net profit** accelerated 173% or P11.0 billion year-on-year to P17.3 billion from higher gross profit (sales growth outpacing costs growth) and optimization of expenditures.

**Net profit attributable to AGI owners** amounted to P12.0 billion from P5.8 billion a year ago, a robust 106% growth year-on-year because of the foregoing.

*Financial Condition*

**Consolidated total assets** amounted to P680.7 billion at end of the interim period from P668.5 billion at beginning of year, up P12.2 billion or 2%. The Group is liquid with **current assets** exceeding **current liabilities** 2.3 times and 2.0 times at the end and beginning of the year, respectively. Current assets amounted to P324.1 billion while current liabilities amounted to P142.9 billion at end of the interim period.

**Cash and cash equivalents** depleted by P7.6 billion or 11% during the interim, ending at P62.1 billion from P69.7 billion at the beginning of the year, primarily due to uses in financing and investing activities outpacing cash provided by operating activities. There were net repayment of bank loans (-P5.0 billion), acquisition of treasury shares of Parent, Emperador and Meg (-P1.7 billion), payment of dividends (-P0.8 billion). Net cash provided by operations and used in financing and investing activities during the period were presented in the interim consolidated statements of cash flows.

**Current trade and other receivables** increased by P3.5 billion or 5% due to advance payments to contractors and suppliers and collectibles from customers. Increased real estate sales is reflected also in the increase in **non-current trade and other receivables** which grew 4% or P0.7 billion.

**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 down 5% or P0.6 billion for **currently** maturing assets while the **non-currently** maturing assets went up 32% or P2.0 billion.

**Financial assets at fair value through profit or loss** increased 46% or P4.5 billion due to acquisitions during the interim period.

**Inventories** increased 5% or P7.5 billion due to the continuous laying of Scotch whisky liquids for ageing and advanced production to ensure continuity of dispatch; and increased real estate development and construction activities, including cost of raw land for residential development.

**Advances to landowners and joint operators** increased 48% or P3.6 billion primarily due to additional advances made to landowners and co-venturer of Megaworld group.

**Investments in associates and joint ventures** shrank 6% or P0.4 billion mainly due to incurred net losses of Megaworld associates.

**Deferred tax assets** went down 22% or P1.4 billion due to movements of temporary timing differences plus the effect of reduced corporate tax rate under CREATE Law, with the big chunk at GADC.

**Other non-current assets** decreased 7% or P0.6 billion from reductions in Megaworld's deposit for cancellation of perpetual securities (-P1.2 billion) and guarantee and other deposits (-P0.2 billion), offset by Travellers' additional advances for future investment. In the first quarter, Megaworld reacquired back into the group through a wholly-owned subsidiary all the securities in the market, which were subsequently cancelled on April 1, 2021.

**Non-current assets held for sale** sank 81% or P4.0 billion due to disposal of the assets held by Travellers.

**Current interest-bearing loans** decelerated 15% or P7.5 billion while **non-current interest-bearing loans** accelerated 4% or P4.9 billion, or net decrease of P2.6 billion, from net repayment of loans by Emperador (-P2.8 billion), Travellers (-P2.5 billion), GADC (-P0.3 billion) and AGI (-P0.2 billion); net availments by Megaworld (+P1.9 billion) and Travellers; and translation adjustment (+P1.4 billion).

**Current lease liabilities** dipped 6% or P0.1 billion and **non-current lease liabilities** by 3% or P0.5 billion from rental payments made during the period.

**Contract liabilities** represent MEG's excess of collection over the progress of work with **current** portion decreasing 5% or P0.1 billion and **non-current portion** increasing 17% or P0.5 billion during the interim period.

**Income tax payable** dropped 25% or P0.4 billion due to reductions in Emperador and Megaworld, as annual obligations at beginning of the year were adjusted and paid during the interim period.

**Advances from related parties and joint operator partners** fell 14% or P0.3 billion to P1.9 billion from P2.2 billion from the beginning of the year from Megaworld.

**Other current liabilities** were reduced 11% or P2.8 billion primarily due to reduction in customers' deposits, commissions payable and unearned income of Megaworld.

**Retirement benefit obligation** went down 32% or P0.8 billion due to the changes in financial assumptions and foreign exchange adjustments booked in UK, reduced by the excess of fair value of their retirement plan assets over the present value of the obligation in the interim period.

**Redeemable preferred shares** stepped up 8% or P0.1 billion mainly due to monthly accretion of interest expense by GADC.

**Deferred tax liabilities** increased 9% or P1.6 billion primarily due to movements of tax timing differences and substantially from the tax adjustment relating to the increase in UK corporation tax rates. There was a P672.4 million non-cash deferred tax expense taken up that pertains principally to intangible assets that does not affect UK operating results and will never be paid in the far future unless the UK business is sold or liquidated.

**Other non-current liabilities** grew 9% or P1.0 billion due to increase in Megaworld's customer's deposits and deferred rentals.

The **changes in equity components** are presented in detail in the interim consolidated statements of changes in equity. Equity attributable to owners went up 7% or P13.0 billion, primarily from from net profit during the period, reduced by acquisitions of treasury shares. Non-controlling interest went up by 4% of P4.1 billion from net profit attributable to minority, reduced by dividends paid by subsidiary and by buyback by subsidiaries.

*Liquidity and Capital Resources*

The consolidated statements of financial position showed strong liquidity with current assets exceeding current liabilities 2.3times at end of interim period. The interim period opened and closed with 1.3:1 and 1.2:1 total-liabilities-to-equity ratio, respectively, 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 and externally through bank loans. The Group may also from time to time seek other sources of funding, if necessary, depending on its financing needs and market conditions.

| *Amounts in Million Pesos* | September 30, 2021 | Dec. 31, 2020 |
|---|---|---|
| Cash and equivalents | 62,101 | 69,698 |
| FVTPL/AFS financial assets | 14,673 | 10,185 |
| Total Available | 76,774 | 79,883 |
| Interest-bearing debt –current | 42,027 | 49,546 |
| Interest-bearing debt- noncurrent | 170,682 | 164,654 |
| Equity-linked securities* | 3,444 | 3,444 |
| Total Debt | 216,153 | 217,644 |

| *Amounts in Million Pesos* | September 30, 2021 | Dec. 31, 2020 |
|---|---|---|
| Net cash (-debt) | -139,379 | -137,761 |
| Available Cash and financial assets to Total Debt | 36% | 37% |
| Total Debt to Total Equity | 69% | 74% |

*Presented under Other Non-current liabilities

*Prospects for the future*

As the COVID-19 pandemic continues, the disruptions it is bringing are still uncertain and evolving. The global health crisis has brought new learnings that modified product offerings and awakened skills to adapt to the changes in customer behavior and business environment. It brings out relentless creativity and innovation in executing, and modifying some, of the strategies to help businesses recover quickly and strongly.

The Group, with its diversified businesses, 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.

To heal as one nation in this pandemic time, the Group has contributed to various efforts in the Philippines' fight against COVID-19. In May 2021, it has rolled out its vaccination program for employees and, afterwards, to their dependents. The national accelerated vaccination rollout has allowed economy to gradually re-open and the Group's business activities to pick up, and soon pave the way to full recovery from this pandemic.

*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 17, 2021

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**
**September 30, 2021**

| Ratio | Formula | 9/30/2021 | 12/31/2020 |
|---|---|---|---|
| Current ratio | Current assets / Current liabilities | 2.27 | 2.03 |
| 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) | 1.03 | 0.94 |
| Debt-to-equity ratio | Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings, bonds payable and equity-linked debt securities) | 0.69 | 0.74 |
| Asset-to-equity ratio | Total assets / Total stockholders' equity | 2.17 | 2.26 |
| | | **9/30/2021** | 9/30/2020 |
| Interest rate coverage ratio | EBIT / Total Interest (Non-recurring gain is excluded from EBIT) | 4.29 | 2.43 |
| Solvency ratio | EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds payable ) | 0.14 | 0.09 |
| Return on investment | Net profit / Total stockholders' equity | 0.06 | 0.02 |
| Return on investment of equity owners | Net profit attributable to owners of the Parent Company / Equity attributable to the owners of the Parent Company | 0.06 | 0.03 |
| Return on assets | Net profit / Total assets | 0.03 | 0.01 |
| Net profit margin | Net profit / Total revenues | 0.16 | 0.07 |

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**SEPTEMBER 30, 2021 AND DECEMBER 31, 2020**
***(Amounts in Philippine Pesos)***

| | | September 30, 2021 (UNAUDITED) | | December 31, 2020 (AUDITED) |
|---|---|---|---|---|
| **A S S E T S** | | | | |
| **CURRENT ASSETS** | | | | |
| Cash and cash equivalents | **P** | **62,101,071,710** | P | 69,697,688,432 |
| Trade and other receivables - net | | **70,791,735,355** | | 67,316,976,331 |
| Contract assets | | **12,612,096,077** | | 13,265,242,603 |
| Financial assets at fair value through profit or loss | | **14,262,325,537** | | 9,788,321,208 |
| Inventories - net | | **147,496,059,166** | | 140,025,856,105 |
| Other current assets | | **16,880,707,527** | | 16,302,863,173 |
| Total Current Assets | | **324,143,995,372** | | 316,396,947,852 |
| **NON-CURRENT ASSETS** | | | | |
| Trade and other receivables - net | | **16,863,758,621** | | 16,176,300,006 |
| Contract assets | | **8,086,664,336** | | 6,115,483,710 |
| Advances to landowners and joint operators | | **11,145,732,966** | | 7,513,380,172 |
| Financial assets at fair value through other comprehensive income | | **411,107,232** | | 396,914,433 |
| Investments in associates and joint ventures | | **6,386,048,588** | | 6,760,790,295 |
| Property, plant and equipment - net | | **141,243,123,473** | | 140,156,527,643 |
| Investment properties - net | | **118,600,414,123** | | 116,364,208,432 |
| Intangible assets - net | | **40,527,583,957** | | 39,399,635,484 |
| Deferred tax assets - net | | **4,974,802,164** | | 6,351,607,385 |
| Other non-current assets | | **7,316,910,741** | | 7,869,369,362 |
| Total Non-current Assets | | **355,556,146,201** | | 347,104,216,922 |
| **NON-CURRENT ASSETS HELD FOR SALE** | | **970,031,450** | | 4,991,620,393 |
| **TOTAL ASSETS** | **P** | **680,670,173,023** | P | 668,492,785,167 |

| | | September 30, 2021 (UNAUDITED) | | December 31, 2020 (AUDITED) |
|---|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | | |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | **P** | **70,467,850,036** | P | 72,161,288,500 |
| Interest-bearing loans | | **42,027,469,020** | | 49,545,524,642 |
| Lease liabilities | | **1,339,661,102** | | 1,427,669,658 |
| Contract liabilities | | **2,514,311,531** | | 2,647,780,045 |
| Income tax payable | | **1,360,269,632** | | 1,817,658,321 |
| Redeemable preferred shares | | **251,597,580** | | 251,597,580 |
| Advances from related parties and joint operator partners | | **1,877,904,449** | | 2,181,442,496 |
| Other current liabilities | | **23,020,032,299** | | 25,800,354,438 |
| Total Current Liabilities | | **142,859,095,649** | | 155,833,315,680 |
| **NON-CURRENT LIABILITIES** | | | | |
| Interest-bearing loans | | **129,302,420,797** | | 124,371,416,317 |
| Bonds payable | | **41,379,355,424** | | 40,282,855,986 |
| Lease liabilities | | **15,384,622,272** | | 15,864,238,579 |
| Contract liabilities | | **3,731,589,140** | | 3,195,849,258 |
| Retirement benefit obligation | | **1,643,496,933** | | 2,432,312,926 |
| Redeemable preferred shares | | **1,578,238,042** | | 1,464,659,539 |
| Deferred tax liabilities - net | | **19,405,901,428** | | 17,792,304,155 |
| Other non-current liabilities | | **12,423,677,542** | | 11,436,372,526 |
| Total Non-current Liabilities | | **224,849,301,578** | | 216,840,009,286 |
| Total Liabilities | | **367,708,397,227** | | 372,673,324,966 |
| **EQUITY** | | | | |
| Equity attributable to owners of the parent company | | **196,356,962,404** | | 183,276,765,473 |
| Non-controlling interest | | **116,604,813,392** | | 112,542,694,728 |
| Total Equity | | **312,961,775,796** | | 295,819,460,201 |
| **TOTAL LIABILITIES AND EQUITY** | **P** | **680,670,173,023** | P | 668,492,785,167 |

***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, 2021 AND 2020**
***(Amounts in Philippine Pesos)***
***(UNAUDITED)***

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Year-to-Date** | **Quarter** | Year-to-Date | Quarter |
| **REVENUES AND INCOME** | | | | |
| Sale of goods | **P 62,374,496,114** | P 23,788,438,271 | P 53,703,554,727 | P 17,821,790,720 |
| Rendering of services | **38,994,441,374** | 12,996,693,105 | 34,518,794,812 | 10,591,415,974 |
| Share in net profits of associates and joint ventures - net | **-** | - | 15,896,592 | - |
| Finance and other income | **8,682,225,644** | 2,116,361,767 | 3,542,775,029 | 2,037,197,254 |
| | **110,051,163,132** | 38,901,493,143 | 91,781,021,160 | 30,450,403,948 |
| **COSTS AND EXPENSES** | | | | |
| Cost of goods sold | **37,564,886,512** | 14,901,368,143 | 33,216,415,014 | 10,956,325,917 |
| Cost of services | **21,909,532,218** | 7,873,622,005 | 20,194,669,566 | 6,080,771,260 |
| Other operating expenses | **21,492,027,775** | 7,566,461,715 | 21,712,350,984 | 7,222,510,911 |
| Share in net losses of associates and joint ventures - net | **403,136,973** | 221,717,792 | - | 49,804,980 |
| Finance costs and other charges | **6,249,754,018** | 2,361,188,902 | 6,467,083,191 | 2,737,181,596 |
| | **87,619,337,496** | 32,924,358,557 | 81,590,518,755 | 27,046,594,664 |
| **PROFIT BEFORE TAX** | **22,431,825,636** | 5,977,134,586 | 10,190,502,405 | 3,403,809,284 |
| **TAX EXPENSE** | **5,098,908,845** | 1,404,181,273 | 3,837,119,349 | 1,193,313,985 |
| **NET PROFIT** | **17,332,916,791** | 4,572,953,313 | 6,353,383,056 | 2,210,495,299 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | |
| Actuarial gains (losses) on remeasurement of retirement benefit obligation | **635,326,635** | 428,319,083 | ( 266,765,000 ) | ( 6,352,600 ) |
| Net unrealized fair value gain (loss) on financial assets at fair value through other comprehensive income | **10,865,094** | ( 9,109,083 ) | ( 109,827,948 ) | ( 104,696,946 ) |
| Deferred tax expense relating to components of other comprehensive income (loss) | **( 161,961,672 )** | ( 106,359,750 ) | ( 45,540,625 ) | ( 364,325 ) |
| | **484,230,057** | 312,850,250 | ( 422,133,573 ) | ( 111,413,871 ) |
| **Items that will be reclassified subsequently to profit or loss** | | | | |
| Translation adjustments | **2,076,414,272** | 1,142,898,219 | ( 1,198,021,828 ) | 755,087,902 |
| Net unrealized fair value gain (loss) on cash flow hedge | **116,619,685** | 13,338,555 | ( 123,105,728 ) | 69,239,308 |
| Deferred tax expense relating to components of other comprehensive income (loss) | **( 18,470,367 )** | ( 11,874,866 ) | - | - |
| | **2,174,563,590** | 1,144,361,908 | ( 1,321,127,556 ) | 824,327,210 |
| **TOTAL COMPREHENSIVE INCOME** | **P 19,991,710,438** | P 6,030,165,471 | P 4,610,121,927 | P 2,923,408,638 |
| **Net profit attributable to:** | | | | |
| Owners of the parent company | **P 12,027,121,997** | P 3,518,245,010 | P 5,828,465,291 | P 2,030,286,036 |
| Non-controlling interest | **5,305,794,794** | 1,054,708,303 | 524,917,765 | 180,209,263 |
| | **P 17,332,916,791** | P 4,572,953,313 | P 6,353,383,056 | P 2,210,495,299 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent company | **P 13,945,296,217** | P 4,713,112,397 | P 4,653,845,772 | P 2,565,700,717 |
| Non-controlling interest | **6,046,414,221** | 1,317,053,074 | ( 43,723,845 ) | 357,707,921 |
| | **P 19,991,710,438** | P 6,030,165,471 | P 4,610,121,927 | P 2,923,408,638 |
| **Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company:** | | | | |
| **Basic** | **P 1.2672** | P 0.3708 | P 0.6062 | P 0.2094 |
| **Diluted** | **P 1.2672** | P 0.3708 | P 0.6062 | P 0.2094 |

***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, 2021 AND 2020**
***(Amounts in Philippine Pesos)***
***(UNAUDITED)***

| | Attributable to Owners of the Parent Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | Retained Earnings | | | | | |
| | Capital Stock | Additional Paid-in Capital | Treasury Shares – at Cost | Net Actuarial Losses on Retirement Benefit Plan | Net Fair Value Gains on Financial Assets at FVOCI | Accumulated Translation Adjustments | Revaluation Reserves on Cash Flow Hedge | Share Options | Other Reserves | Appropriated | Unappropriated | Total | Total | Noncontrolling Interest | Total Equity |
| Balance at January 1, 2021 | P 10,269,827,979 | P 34,518,916,029 | (P 7,596,939,422) | (P 783,537,269) | P 504,426,943 | (P 6,047,569,788) | (P 172,210,870) | P 620,625,162 | P 9,436,023,550 | P 3,993,550,000 | P 138,533,653,159 | P 142,527,203,159 | P 183,276,765,473 | P 112,542,694,728 | P 295,819,460,201 |
| Transactions with owners: | | | | | | | | | | | | | | | |
| Change in percentage of ownership | - | - | - | - | - | - | - | - | (389,632,918) | - | - | - | (389,632,918) | (1,361,821,668) | (1,751,454,586) |
| Acquisition of treasury shares | - | - | (837,455,242) | - | - | - | - | - | - | - | - | - | (837,455,242) | - | (837,455,242) |
| Dividend paid by investee | - | - | - | - | - | - | - | - | - | - | - | - | - | (784,175,347) | (784,175,347) |
| Gain on purchase of perpetual securities | - | - | - | - | - | - | - | - | - | - | 333,604,948 | 333,604,948 | 333,604,948 | 150,652,488 | 484,257,436 |
| Share-based compensation | - | - | - | - | - | - | - | - | - | - | - | - | - | 11,048,970 | 11,048,970 |
| | - | - | (837,455,242) | - | - | - | - | - | (389,632,918) | - | 333,604,948 | 333,604,948 | (893,483,212) | (1,984,295,557) | (2,877,778,769) |
| Changes in legal reserves during the period | - | - | - | - | - | - | - | - | 28,383,926 | - | - | - | 28,383,926 | - | 28,383,926 |
| Total comprehensive income (loss) | - | - | - | 403,365,649 | (165,261,896) | 1,599,731,166 | 80,339,301 | - | - | - | 12,027,121,997 | 12,027,121,997 | 13,945,296,217 | 6,046,414,221 | 19,991,710,438 |
| **Balance at September 30, 2021** | **P 10,269,827,979** | **P 34,518,916,029** | **(P 8,434,394,664)** | **(P 380,171,620)** | **P 339,165,047** | **(P 4,447,838,622)** | **(P 91,871,569)** | **P 620,625,162** | **P 9,074,774,558** | **P 3,993,550,000** | **P 150,894,380,104** | **P 154,887,930,104** | **P 196,356,962,404** | **P 116,604,813,392** | **P 312,961,775,796** |
| 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 of 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 (loss) | - | - | - | (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 |

***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, 2021 AND 2020**
***(Amounts in Philippine Pesos)***
***(UNAUDITED)***

| | 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before tax | **P 22,431,825,636** | P 10,190,502,405 |
| Adjustments for: | | |
| Depreciation and amortization | **8,002,949,598** | 7,630,462,278 |
| Interest expense | **5,313,231,791** | 5,043,669,250 |
| Interest income | **( 1,508,958,783 )** | ( 1,691,906,466 ) |
| Share in net losses (profits) of associates and joint ventures | **403,136,973** | ( 15,896,592 ) |
| Unrealized foreign currency losses (gains) - net | **302,276,355** | ( 275,125,953 ) |
| Gain from derecognition of right-of-use assets and lease liabilities | **94,547,260** | - |
| Net loss on disposal of assets | **80,473,069** | 91,979,608 |
| Reversal of impairment losses - net | **( 58,326,623 )** | ( 101,032,614 ) |
| Dividend income | **( 55,328,316 )** | ( 5,135,425 ) |
| Gain from lease modification | **( 18,332,785 )** | - |
| Stock option benefit expense | **11,048,970** | 15,050,344 |
| Operating profit before working capital changes | **34,998,543,145** | 20,882,566,835 |
| Decrease (increase) in trade and other receivables | **( 1,859,369,814 )** | ( 911,595,707 ) |
| Decrease (increase) in inventories | **( 7,033,880,672 )** | 799,866,686 |
| Increase in contract assets | **( 1,318,034,100 )** | ( 2,444,991,183 ) |
| Decrease (increase) in financial assets at fair value through profit or loss | **( 2,910,741,693 )** | 1,962,817,968 |
| Increase in other current assets | **( 587,441,811 )** | ( 93,246,183 ) |
| Increase (decrease) in trade and other payables | **( 925,222,877 )** | 1,603,980,189 |
| Increase in contract liabilities | **402,271,368** | 1,115,698,038 |
| Decrease in retirement benefit obligation | **( 315,451,030 )** | ( 35,323,940 ) |
| Increase (decrease) in other current liabilities | **( 2,780,322,139 )** | 471,711,733 |
| Increase in other non-current liabilities | **1,008,503,424** | 7,232,405,533 |
| Cash generated from operations | **18,678,853,801** | 30,583,889,969 |
| Cash paid for taxes | **( 3,156,824,955 )** | ( 3,954,106,798 ) |
| Net Cash From Operating Activities | **15,522,028,846** | 26,629,783,171 |
| *Balance carried forward* | **P 15,522,028,846** | P 26,629,783,171 |

| | 2021 | 2020 |
|---|---|---|
| *Balance brought forward* | **P 15,522,028,846** | P 26,629,783,171 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of: | | |
| Property, plant and equipment | **( 5,093,508,583 )** | ( 6,755,373,831 ) |
| Investment properties | **( 3,037,049,381 )** | ( 3,374,643,563 ) |
| Intangible assets | **( 11,372,224 )** | ( 11,642,883 ) |
| Additional advances to landowners, joint ventures and other related parties - net | **( 3,632,352,794 )** | ( 204,878,142 ) |
| Interest received | **848,999,492** | 824,165,675 |
| Decrease (increase) in other non-current assets | **525,208,136** | ( 1,077,669,787 ) |
| Decrease in non-current assets held for sale | **4,029,879,798** | - |
| Cash dividends received | **55,328,316** | 5,135,425 |
| Proceeds from: | | |
| Disposal of property, plant and equipment | **52,844,821** | 338,687,726 |
| Collections of advances from associates and other related parties | **-** | 26,911,598 |
| Additional advances granted to associates | **( 10,425,690 )** | ( 5,006,804 ) |
| Net Cash Used in Investing Activities | **( 6,272,448,109 )** | ( 10,234,314,586 ) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Payment of interest-bearing loans and bonds | **( 34,112,040,335 )** | ( 16,963,803,965 ) |
| Proceeds from interest-bearing loans and bonds | **29,137,075,491** | 34,383,729,071 |
| Interest paid | **( 8,530,016,386 )** | ( 7,944,446,723 ) |
| Buyback of shares from non-controlling interest | **( 901,345,403 )** | ( 1,303,574,981 ) |
| Acquisition of treasury shares | **( 837,455,242 )** | ( 534,477,259 ) |
| Payment of lease liabilities | **( 381,007,142 )** | ( 271,694,970 ) |
| Dividends paid | **( 784,175,347 )** | ( 550,556,214 ) |
| Advances granted and paid to related parties | **( 463,209,786 )** | ( 767,496,997 ) |
| Advances collected and received from related parties | **25,976,691** | 38,055,441 |
| Net Cash From (Used in) Financing Activities | **( 16,846,197,459 )** | 6,085,733,403 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **( 7,596,616,722 )** | 22,481,201,988 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | **69,697,688,432** | 51,270,580,951 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **P 62,101,071,710** | P 73,751,782,939 |

**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 properties between Inventories, Property, Plant 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, 2021 AND 2020**
***(With Comparative Figures as of December 31, 2020)***
***(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<br>**September 2021** | <br>December 2020 |
|---|---|---|---|---|
| ***Subsidiaries*** | | | | |
| **Megaworld and subsidiaries** | | | | |
| **Megaworld Corporation** | "Megaworld" | (a) | **69%** | 69% |
| Megaworld Resort Estates, Inc. | | (b) | **84%** | 84% |
| Townsquare Development, Inc. | | | **50%** | 50% |
| Golden Panda-ATI Realty Corporation | | | **50%** | 50% |
| Arcovia Properties, Inc. | | | **69%** | 69% |
| Belmont Newport Luxury Hotels, Inc. | | | **69%** | 69% |
| Davao Park District Holdings Inc. | | | **69%** | 69% |
| Eastwood Cyber One Corporation | | | **69%** | 69% |
| Global One Hotel Group, Inc. | | | **69%** | 69% |
| Global One Integrated Business Services, Inc. | | | **69%** | 69% |
| Hotel Lucky Chinatown, Inc. | | | **69%** | 69% |
| Landmark Seaside Properties, Inc. | | | **69%** | 69% |
| Luxury Global Hotels and Leisures, Inc. | | | **69%** | 69% |
| Luxury Global Malls, Inc. | | | **69%** | 69% |
| Mactan Oceanview Properties and Holdings, Inc. | | | **69%** | 69% |
| Megaworld Cayman Islands, Inc. | | (c) | **69%** | 69% |
| Megaworld Cebu Properties, Inc. | | | **69%** | 69% |
| Megaworld Land, Inc. | | | **69%** | 69% |
| Citywalk Building Administration, Inc. | | | **69%** | 69% |
| Forbestown Commercial Center Administration, Inc. | | | **69%** | 69% |
| Iloilo Center Mall Administration, Inc. | | | **69%** | 69% |
| Newtown Commercial Center Administration, Inc. | | | **69%** | 69% |
| Paseo Center Building Administration, Inc. | | | **69%** | 69% |
| San Lorenzo Place Commercial Center Administration, Inc. | | | **69%** | 69% |
| Southwoods Lifestyle Mall Management, Inc. | | | **69%** | 69% |
| Uptown Commercial Center Administration, Inc. | | | **69%** | 69% |
| Valley Peaks Property Management, Inc. | | | **69%** | 69% |
| Megaworld Newport Property Holdings, Inc | | | **69%** | 69% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI September 2021 | December 2020 |
|---|---|---|---|---|
| ***Subsidiaries*** | | | | |
| **Megaworld and subsidiaries** | | | | |
| Oceantown Properties, Inc. | | | **69%** | 69% |
| Piedmont Property Ventures, Inc. | | | **69%** | 69% |
| Prestige Hotels and Resorts, Inc. | | | **69%** | 69% |
| Richmonde Hotel Group International Ltd. | | (d) | **69%** | 69% |
| San Vicente Coast, Inc. | | | **69%** | 69% |
| Savoy Hotel Manila, Inc. | | | **69%** | 69% |
| Savoy Hotel Mactan, Inc. | | | **69%** | 69% |
| Kingsford Hotel Manila, Inc. | | | **69%** | 69% |
| Agile Digital Ventures, Inc. | | | **69%** | 69% |
| MREIT Fund Managers, Inc. | “MFMI” | (o) | **69%** | - |
| MREIT Property Managers, Inc. | “MPMI” | (o) | **69%** | - |
| MREIT, Inc. | “MREIT” | (o) | **68%** | - |
| Stonehaven Land, Inc. | | | **69%** | 69% |
| Streamwood Property, Inc. | | | **69%** | 69% |
| Megaworld Bacolod Properties, Inc. | | | **63%** | 63% |
| Manila Bayshore Property Holdings, Inc. | | | **63%** | 62% |
| Megaworld Capital Town, Inc. | | | **53%** | 52% |
| Megaworld Central Properties, Inc. | | | **53%** | 52% |
| Soho Cafe and Restaurant Group, Inc. | | | **52%** | 51% |
| La Fuerza, Inc. | | | **46%** | 46% |
| Megaworld-Daewoo Corporation | | | **41%** | 41% |
| Northwin Properties, Inc. | | | **41%** | 41% |
| Gilmore Property Marketing Associates Inc. | | | **36%** | 36% |
| Integrated Town Management Corporation | | | **34%** | 34% |
| Maple Grove Land, Inc. | | | **34%** | 34% |
| Megaworld Globus Asia, Inc. | | | **34%** | 34% |
| **Suntrust Properties, Inc.** | | | **69%** | 69% |
| Governor’s Hills Science School, Inc. | | | **69%** | 69% |
| Sunrays Properties Management, Inc. | | | **69%** | 69% |
| Suntrust Ecotown Developers, Inc. | | | **69%** | 69% |
| Suntrust One Shanata, Inc. | | | **69%** | 69% |
| Suntrust Two Shanata, Inc. | | | **69%** | 69% |
| Stateland, Inc. | | | **67%** | 66% |
| **Global-Estate Resorts, Inc.** | “GERI” | (e) | **57%** | 56% |
| Southwoods Mall Inc. | | | **63%** | 62% |
| Twin Lakes Corp. | | | **63%** | 62% |
| Twin Lakes Hotel, Inc. | | | **63%** | 62% |
| Megaworld Global-Estate, Inc. | | | **62%** | 61% |
| Fil-Estate Golf and Development, Inc | | | **57%** | 56% |
| Golforce, Inc. | | | **57%** | 56% |
| Southwoods Ecocentrum Corp. | | | **34%** | 34% |
| Philippine Aquatic Leisure Corp. | | | **34%** | 34% |
| Fil-Estate Properties, Inc. | | | **57%** | 56% |
| Aklan Holdings Inc. | | | **57%** | 56% |
| Blu Sky Airways, Inc. | | | **57%** | 56% |
| Fil-Estate Subic Development Corp. | | | **57%** | 56% |
| Fil-Power Concrete Blocks Corp. | | | **57%** | 56% |
| Fil-Power Construction Equipment Leasing Corp. | | | **57%** | 56% |
| Golden Sun Airways, Inc. | | | **57%** | 56% |
| La Compaña De Sta. Barbara, Inc. | | | **57%** | 56% |
| MCX Corporation | | | **57%** | 56% |
| Pioneer L-5 Realty Corp. | | | **57%** | 56% |
| Prime Airways, Inc. | | | **57%** | 56% |
| Sto. Domingo Place Development Corp. | | | **57%** | 56% |
| Fil-Estate Industrial Park, Inc. | | | **45%** | 45% |
| Sherwood Hills Development Inc. | | | **31%** | 31% |
| Fil-Estate Urban Development Corp. | | | **57%** | 56% |
| Global Homes and Communities, Inc. | | | **57%** | 56% |
| Savoy Hotel Boracay, Inc. | | | **57%** | 56% |
| Belmont Hotel Boracay, Inc. | | | **57%** | 56% |
| Novo Sierra Holdings Corp. | | | **57%** | 56% |
| Elite Communities Property Services, Inc. | | | **57%** | 56% |
| Oceanfront Properties, Inc. | | | **28%** | 28% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI September 2021 | December 2020 |
|---|---|---|---|---|
| ***Subsidiaries*** | | | | |
| **Megaworld and subsidiaries** | | | | |
| **Empire East Land Holdings, Inc.** | "EELHI" | | **57%** | 56% |
| Sonoma Premiere Land, Inc. | | (f) | **74%** | 74% |
| Pacific Coast Mega City, Inc. | | (g) | **83%** | 83% |
| 20th Century Nylon Shirt, Inc. | | | **56%** | 56% |
| Eastwood Property Holdings, Inc. | | | **56%** | 56% |
| Empire East Communities, Inc. | | | **56%** | 56% |
| Sherman Oak Holdings, Inc. | | | **56%** | 56% |
| Valle Verde Properties, Inc. | | | **56%** | 56% |
| Laguna BelAir School, Inc. | | | **41%** | 41% |
| **Emperador and subsidiaries** | | | | |
| **Emperador Inc.** | "EMP" or "Emperador" | | **86%** | 84% |
| **Emperador Distillers, Inc.** | "EDI" | | **86%** | 84% |
| Alcazar de Bana Holdings Company, Inc. | | | **86%** | 84% |
| ProGreen AgriCorp, Inc. | | | **86%** | 84% |
| South Point Science Park, Inc. | | | **86%** | 84% |
| Anglo Watsons Glass, Inc. | | | **86%** | 84% |
| Cocos Vodka Distillers Philippines, Inc. | | | **86%** | 84% |
| The Bar Beverage, Inc. | | | **86%** | 84% |
| Tradewind Estates, Inc. | | | **86%** | 84% |
| BoozyLife, Inc. | | | **53%** | 52% |
| Zabana Rum Company, Inc. | | | **86%** | 84% |
| **Emperador International Ltd.** | "EIL" | (d) | **86%** | 84% |
| Emperador Asia Pte Ltd. | "EA" | (i) | **86%** | 84% |
| Grupo Emperador Spain, S.A.U. | "GES" | (i) | **86%** | 84% |
| Bodega San Bruno, S.L. | "BSB" | (i) | **86%** | 84% |
| Bodegas Fundador S.L.U. | "BFS" | (i) | **86%** | 84% |
| Destilados de la Mancha S.L. | "DDLM" | (i) | **86%** | 84% |
| Grupo Emperador Gestion S.L. | "GEG" | (i) | **86%** | 84% |
| Domecq Bodega Las Copas, S.L. | "DBLC" | (h), (i) | **43%** | 42% |
| Stillman Spirits, S.L. | "SSSL" | (i) | **86%** | 84% |
| Domecq Distribucion De Bebidas S.A. de C.V. | "DDDB" | (h) | **43%** | 42% |
| Pedro Domecq S.A. de C.V. | "PDSC" | (h) | **43%** | 42% |
| Emperador Europe SARL | "EES" | (i) | **86%** | 84% |
| Emperador Holdings (GB) Limited. | "EGB" | (i) | **86%** | 84% |
| Emperador UK Limited | "EUK" | (i) | **86%** | 84% |
| Whyte and Mackay Group Limited | "WMG" | (i) | **86%** | 84% |
| Whyte and Mackay Global Limited | "WMGL" | (i) | **86%** | 84% |
| Whyte and Mackay Limited | "WML" | (i) | **86%** | 84% |
| Whyte and Mackay Warehousing Ltd. | "WMWL" | (i) | **86%** | 84% |
| **GADC and subsidiaries** | | | | |
| **Golden Arches Development Corporation** | "GADC" | | **49%** | 49% |
| Advance Food Concepts Manufacturing, Inc. | | | **49%** | 49% |
| Red Asian Food Solutions, Inc. | | | **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, Inc. | | | **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% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI September 2021 | December 2020 |
|---|---|---|---|---|
| **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% |
| Bright Pelican Leisure and Recreation, Inc. | | | **50%** | 50% |
| Brightleisure Management, Inc. | | | **50%** | 50% |
| Brilliant Apex Hotels and Leisure Corporation | | | **50%** | 50% |
| Captain View Group Limited | | | **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 & Productions, 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. | "WCRWI" | (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% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI September 2021 | December 2020 |
|---|---|---|---|---|
| **Corporate and Others** | | | | |
| 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% |
| ***Associates*** | | | | |
| First Premiere Arches Restaurant Inc. | | | **49%** | 49% |
| Bonifacio West Development Corporation | | | **32%** | 32% |
| Suntrust Home Developers, Inc. | "SHDI" | | **23%** | 23% |
| Citylink Coach Services, Inc. | | | **6%** | 6% |
| First Oceanic Property Management, Inc. | | | **-** | 6% |
| Palm Tree Holdings and Development Corporation | | | **28%** | 27% |
| SWC Project Management Limited | | | **23%** | 23% |
| WC Project Management Limited | | | **23%** | 23% |
| 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) | **43%** | 42% |
| Front Row Theatre Management, Inc. | | (n) | **25%** | 25% |

Explanatory notes:

(a) AGI's effective ownership interest is derived from its 46% 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 both as of September 30, 2021 and December 31, 2020.
(f) A subsidiary through 60% and 40% direct ownership of EELHI and FCI, respectively.
(g) AGI's effective ownership interest is derived from its 60% direct ownership and the balance from indirect holdings (through Megaworld's subsidiary that holds 40% direct ownership).
(h) DBLC, a subsidiary of GES, is operating under the laws of Spain and its subsidiaries PDSC 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, DBLC, SSSL and DDLM, 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) AGI's effective ownership is through Travellers' common and preferred shares in total, which are directly owned 16% by AGI, 3% by FCI, 1% by Megaworld, 49% by Adams, 30% by Genting Hongkong Limited ("GHL") and 0.3% by the public. The Group beneficially owns 49% of the common shares.
(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) MFMI, MPMI and MREIT are newly incorporated subsidiaries of Megaworld. MFMI is engaged in the business of providing fund management services to real estate investment trust ("REIT") companies. MPMI is engaged in the business of providing services in relation to property management, lease management, marketing and project management. MREIT is engaged in the business of real estate investment trust, as provided under Republic Act No. 9856, the Real Estate Investment Trust Act of 2009.

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, 2021. MREIT shares are initially listed and traded through the PSE on October 1, 2021.

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 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

The Board of Directors ("BOD") approved on November 17, 2021, the release of the interim consolidated financial statements ("ICFS") of the Group as of and for the nine months ended September 30, 2021 (including the comparative financial statements as of December 31, 2020, and for the nine months ended September 30, 2020).

## 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, 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, 2020.

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.

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 Subsequent to 2021 but are not Adopted Early*

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2021, which are adopted by the Financial Reporting Standards Council. Management will adopt the relevant pronouncements in accordance with their transitional provisions, as presented below and in the succeeding page.

| | | |
|---|---|---|
| PAS 1 (Amendments) | : | Presentation of Financial Statements – Classification of Liabilities as Current or Non-current |
| PAS 16 (Amendments) | : | Property, Plant and Equipment – Proceeds Before Intended Use |
| PAS 37 (Amendments) | : | Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract |
| PFRS 3 (Amendments) | : | Business Combination – Reference to the Conceptual Framework |
| 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 |
| Annual Improvements to PFRS (2018-2020 Cycle) | | |
| PFRS 9 (Amendments) | : | Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities |
| PFRS 16 (Amendments) | : | Leases – Lease Incentives, and COVID-19-Related Rent Concessions beyond June 30, 2021 |

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 amendments 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 Group performed its annual impairment test of goodwill and trademarks with indefinite useful lives at year-end and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill arising from business combination and other intangible assets is based on value-in-use calculations. The Group monitors goodwill and trademarks with indefinite useful lives on the cash generating units to which these assets were allocated and considers the relationship between the market capitalization of the subsidiaries and its net book value, among other factors, when reviewing for indicators of impairment. The Group's management assessed that as at and for the nine months ended September 30, 2021 and as at December 31, 2020, goodwill arising from business combination and other intangible assets with indefinite useful lives are not impaired.

Aside from the foregoing, 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 as at and for the year ended December 31, 2020.

## 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 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 the nine months ended September 30, 2021 and 2020.

| | For nine months ended September 30, 2021 (Unaudited) | | | | |
|---|---|---|---|---|---|
| | Megaworld | Travellers | GADC | Emperador | Total |
| **REVENUES** | | | | | |
| Sales to external customers | P 34,482,479,163 | P 9,918,123,815 | P 17,737,559,649 | P 37,680,230,211 | P 99,818,392,838 |
| Intersegment sales | 270,712,812 | 10,600,470 | - | 16,151,807 | 297,465,089 |
| Finance and other income | 2,117,157,277 | 5,640,824,100 | 438,825,589 | 249,012,388 | 8,445,819,354 |
| Segment revenues | 36,870,349,252 | 15,569,548,385 | 18,176,385,238 | 37,945,394,406 | 108,561,677,281 |
| Cost of sales and expenses excluding depreciation and amortization | ( 19,912,502,862 ) | ( 9,299,821,571 ) | ( 14,438,807,632 ) | ( 27,159,293,861 ) | ( 70,810,425,926 ) |
| | 16,957,846,390 | 6,269,726,814 | 3,737,577,606 | 10,786,100,545 | 37,751,251,355 |
| Depreciation and amortization | ( 2,518,,227,318 ) | ( 2,557,607,677 ) | ( 1,954,427,916 ) | ( 1,064,446,244 ) | ( 8,094,709,155 ) |
| Finance costs and other charges | ( 3,663,854,348 ) | ( 1,432,215,060 ) | ( 796,488,004 ) | ( 108,846,084 ) | ( 6,001,403,496 ) |
| Profit (loss) before tax | 10,775,764,724 | ( 2,279,904,077 ) | 986,661,686 | 9,612,808,217 | 23,655,138,704 |
| Tax expense | ( 2,160,835,473 ) | ( 8,147,463 ) | ( 724,338,062 ) | ( 2,151,574,715 ) | ( 5,044,895,713 ) |
| **SEGMENT PROFIT (LOSS)** | **P 8,614,929,251** | **( P 2,271,756,614 )** | **P 262,323,624** | **P 7,461,233,502** | **P 18,610,242,991** |
| **SEGMENT ASSETS AND LIABILITIES** | | | | | |
| Segment assets | **P 375,962,148,546** | **P 113,707,301,200** | **P 34,386,743,816** | **P 123,068,883,963** | **P 647,125,077,525** |
| Segment liabilities | **151,063,475,747** | **79,212,086,956** | **28,118,195,834** | **49,342,434,509** | **307,736,193,046** |
| **OTHER SEGMENT INFORMATION** | | | | | |
| Share in net profit (loss) of associates and joint ventures | **( 471,730,323 )** | **-** | **-** | **68,593,350** | **( 403,136,973 )** |

| | 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 (loss) before tax | 10,886,898,248 | ( 5,256,345,091 ) | ( 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 | P 8,112,917,213 | ( P 5,296,569,846 ) | ( P 897,191,954 ) | P 5,993,249,533 | P 7,912,404,946 |
| OTHER SEGMENT INFORMATION | | | | | |
| Share in net profit (loss) of associates and joint ventures | ( 90,608,943 ) | ( 32,226 ) | - | 106,537,761 | 15,896,592 |

The following presents the segment assets and liabilities of the Group as of December 31, 2020 (audited):

| | Megaworld | Travellers | GADC | Emperador | Total |
|---|---|---|---|---|---|
| SEGMENT ASSETS AND LIABILITIES | | | | | |
| Segment assets | P 374,893,702,823 | P 116,426,830,157 | P 34,826,330,051 | P 117,650,258,379 | P 643,797,121,410 |
| Segment liabilities | 148,742,486,482 | 84,390,957,849 | 29,262,553,333 | 52,427,534,132 | 314,823,531,796 |

### 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, 2021 (Unaudited) | September 30, 2020 (Unaudited) |
|---|---|---|
| **Revenues** | | |
| Total segment revenues | **P 108,561,677,281** | P 90,223,452,727 |
| Unallocated corporate revenue | **1,786,950,940** | 2,081,852,999 |
| Elimination of intersegment revenues | **( 297,465,089)** | ( 524,284,566) |
| Revenues as reported in interim consolidated statements of comprehensive income | **P 110,051,163,132** | P 91,781,021,160 |
| **Profit or loss** | | |
| Segment operating profit | **P 18,610,242,991** | P 7,912,404,946 |
| Unallocated corporate loss | **( 979,861,111)** | ( 1,034,737,324) |
| Elimination of intersegment revenues | **( 297,465,089)** | ( 524,284,566) |
| Profit as reported in interim consolidated statements of comprehensive income | **P 17,332,916,791** | P 6,353,383,056 |

| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|---|---|
| **Assets** | | |
| Segment assets | **P 647,125,077,525** | P 643,797,121,410 |
| Unallocated corporate assets | **33,545,095,498** | 24,695,663,757 |
| Total assets reported in the interim consolidated statements of financial position | **P 680,670,173,023** | P 668,492,785,167 |
| **Liabilities** | | |
| Segment liabilities | **P 307,736,193,046** | P 314,823,531,796 |
| Unallocated corporate liabilities | **59,972,204,181** | 57,849,793,170 |
| Total liabilities reported in the interim consolidated statements of financial position | **P 367,708,397,227** | P 372,673,324,966 |

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, 2021 and December 31, 2020 are shown below.

| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|---|---|
| Cost | **P 195,745,987,937** | P 188,816,790,558 |
| Accumulated depreciation, amortization and impairment | **( 54,502,864,464)** | ( 48,660,262,915) |
| Net carrying amount | **P 141,243,123,473** | P 140,156,527,643 |

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, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|---|---|
| Balance at beginning of period, net of accumulated depreciation, amortization and impairment | **P 140,156,527,643** | P 136,262,546,247 |
| Additions | **7,377,177,479** | 13,772,388,935 |
| Depreciation and amortization charges for the period | **( 5,842,601,549)** | ( 8,590,876,408) |
| Disposals – net | **( 133,317,890)** | ( 375,290,904) |
| Derecognition | **( 94,547,260)** | - |
| Impairment reversal (loss) | **58,326,623** | ( 41,635,693) |
| Reclassifications – net | **( 278,441,573)** | ( 838,122,061) |
| Effect of lease modification | **-** | ( 32,482,473) |
| Balance at end of period, net of accumulated depreciation, amortization and impairment | **P 141,243,123,473** | P 140,156,527,643 |

## 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, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|---|---|
| Cost | **P 136,384,993,927** | P 132,032,822,261 |
| Accumulated depreciation | **( 17,784,579,804)** | ( 15,668,613,829) |
| Net carrying amount | **P 118,600,414,123** | P 116,364,208,432 |

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

| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|---|---|
| Balance at beginning of period, net of accumulated depreciation | **P 116,364,208,432** | P 112,338,187,564 |
| Additions | **4,352,171,666** | 6,731,614,968 |
| Depreciation charges for the period | **( 2,115,965,975)** | ( 2,549,905,000) |
| Disposals – net | **-** | ( 793,598) |
| Reclassifications - net | **-** | ( 154,895,502) |
| Balance at end of period, net of accumulated depreciation | **P 118,600,414,123** | P 116,364,208,432 |

## 7. DIVIDENDS

There were no dividends declared and paid by the Company for the nine-month periods ended September 30, 2021 and 2020.

## 8. EARNINGS PER SHARE

Earnings per share is computed as follows:

| | September 30, 2021 (Unaudited) | September 30, 2020 (Unaudited) |
|---|---|---|
| Basic and Diluted: | | |
| Net profit attributable to owners of the parent company | **P 12,027,121,997** | P 5,828,465,291 |
| Divide by the weighted average number of outstanding common shares | **9,490,991,479** | 9,614,078,979 |
| | **P 1.2672** | P 0.6062 |

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 18, 2019, the BOD approved another share repurchase program for P2.5 billion over a 12-month period ended September 23, 2020. Further, on September 21, 2020, the BOD approved another one-year share repurchase program for P2.5 billion to end on September 23, 2021. On October 8, 2021, the BOD authorized a new buy-back program of P4.0 billion for a term of two and a half years commencing on October 8, 2021 until April 8, 2024. The Company has repurchased 620,602,500 shares for P7.3 billion and 532,784,800 shares for P6.4 billion as of September 30, 2021 and 2020, 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 158.23 million shares held by subsidiaries with a total cost of P1.2 billion as of September 30, 2021 and 122.96 million shares with a total cost of P936.16 million as of September 30, 2020 that were reported as part of Treasury Shares in the consolidated statements of changes in equity and taken out of outstanding common shares in computing EPS.

The basic and diluted earnings per share are the same for the nine months ended September 30, 2021 and 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, 2021 and 2020, and the related outstanding balances as of September 30, 2021 and December 31, 2020 are as follows:

| Related Party Category | Notes | Amount of Transaction September 30, 2021 (Unaudited) | Amount of Transaction September 30, 2020 (Unaudited) | Receivable (Payable) September 30, 2021 (Unaudited) | Receivable (Payable) December 31, 2020 (Audited) |
|---|---|---|---|---|---|
| **Subsidiaries' stockholders:** | | | | | |
| Casino transactions | 9.2 | **P -** | P 12,961,032 | **P -** | (P 66,579 ) |
| Management fees | 9.3 | **116,427,528** | 11,574,724 | **( 205,770,804 )** | ( 96,767,702 ) |
| Accounts payable | 9.5 | **( 32,629,933)** | - | **( 315,040,577 )** | ( 347,670,510 ) |
| **Related party under common ownership:** | | | | | |
| Purchase of raw materials | 9.1 | **1,102,142,430** | 1,957,762,676 | **( 519,318,431 )** | ( 811,977,473 ) |
| Purchase of imported goods | 9.1 | **12,416,664** | 11,316,261 | **( 1,503,568 )** | ( 983,717 ) |
| Advances granted | 9.4 | **144,235,923** | ( 26,911,598 ) | **2,354,836,101** | 2,210,600,178 |
| Management services | 9.1 | **45,000,000** | 45,000,000 | **( 121,000,000 )** | ( 110,000,000 ) |
| **Associates:** | | | | | |
| Advances granted | 9.4 | **10,402,307** | 5,006,804 | **1,109,715,601** | 1,099,313,294 |
| Deposit from an associate | 10.3(ii) | **-** | - | - | ( 9,901,072,000 ) |
| **Others:** | | | | | |
| Accounts receivable | 9.5 | **101,065,115** | 173,245,682 | **855,139,572** | 754,074,457 |
| Accounts payable | 9.5 | **-** | - | **( 65,208,430 )** | ( 65,208,430 ) |
| Advances from joint venture partners and others | 9.6 | **303,538,047** | ( 364,720,778 ) | **( 1,877,904,449 )** | ( 2,181,442,496 ) |
| Donations | | **42,602,976** | 71,774,255 | **( 5,922,078 )** | ( 10,907,256 ) |
| Sale of investment property | | **-** | - | **378,391,250** | 378,391,250 |

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 through Andresons Global, Inc., a related party under common ownership. These transactions are normally being paid within 30 days. Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC. 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, 2021 and December 31, 2020 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 [see Note 1(j)] representing show money received by Travellers from foreign patrons which the counterparty will later remit to the other. There was no outstanding balance as of September 30, 2021.

### *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 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 movements 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, are presented as follows:

| | **September 30, 2021 (Unaudited)** | December 31, 2020 (Audited) |
|---|---|---|
| Balance at beginning of period | **P 3,309,913,472** | P 3,084,752,266 |
| Cash advances granted | **154,638,230** | 260,769,849 |
| Collections | **-** | ( 35,608,643) |
| Balance at end of period | **P 3,464,551,702** | P 3,309,913,472 |

As of September 30, 2021 and December 31, 2020, 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 presented in the succeeding page.

| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|---|---|
| ***Due from Related Parties*** | | |
| Balance at beginning of period | **P 754,074,457** | P 608,958,652 |
| Additions | **139,857,150** | 186,911,508 |
| Collections | **( 38,792,035)** | ( 41,795,703) |
| Balance at end of period | **P 855,139,572** | P 754,074,457 |
| ***Due to Related Parties*** | | |
| Balance at beginning of period | **P 412,878,940** | P 412,878,940 |
| Collections | **( 32,629,933)** | - |
| Balance at end of period | **P 380,249,007** | P 412,878,940 |

As of September 30, 2021 and December 31, 2020, based on management's assessment, no additional amount of impairment is necessary.

### *9.6 Advances from Related Parties and Joint Operator Partners*

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 Operator ("JO") partners pertain to advances from golf share partners and lot owners.

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

| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|---|---|
| Advances from related parties | **P 1,600,689,212** | P 1,904,227,259 |
| Advances from JO partners | **277,215,237** | 277,215,237 |
| | **P 1,877,904,449** | P 2,181,442,496 |

### *9.7 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 plans 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 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.

In a Resolution dated May 3, 2021, the Supreme Court also held that Travellers' "gaming revenues as a PAGCOR licensee were exempt from regular corporate income tax after payment of the five percent (5%) franchise tax".

### *10.2 Skytrain Project*

On October 2017, the Group submitted an unsolicited proposal to the government to build Skytrain that will link Uptown Fort Bonifacio to Guadalupe Station of Metro Rail Transit Line-3. The Group was granted an Original Proponent Status by the DOTr in May 2018 and its proposal is now undergoing review and evaluation at NEDA Board.

### *10.3 Co-Development Agreement between WCRWI and SUN*

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 SUN.*

WCRWI and Travellers shall lease to SUN the site upon which a hotel casino will be erected at an annual rental of US$10.6 million (P540.1 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.

In line with the foregoing, on February 21, 2020, WCRWI and Travellers entered into a lease agreement with SUN.

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

SUN shall finance the development and construction of a hotel casino on the leased area. SUN shall also pay a certain fixed amount to WCRWI for reimbursement of costs already incurred and construction works that have already been accomplished on the Project Site.

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

WCRWI and SUN 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 mutually agreed between WCRWI and SUN. The operations and management agreement was entered into by the parties on May 4, 2020.

As of September 30, 2021, the hotel casino has not yet commenced its operation; hence, agreement above has not yet materialized.

*(iv) WCRWI and the Travellers as warrantors*

Fortune Noble Limited ("Fortune") [a wholly-owned subsidiary of Suncity Group Holdings Limited], the parent company of SUN, conditionally agreed to subscribe to 2.55 billion new SUN 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 SUN was included. The put option enables Fortune to transfer ownership over SUN 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 SUN 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 2.55 billion new SUN 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, *Financial Instruments*. 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 expected credit loss model ("ECL").

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 SUN shares in the PSE as of September 30, 2021 amounting to P1.49 per share or a total value of P10.8 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, 2021 and December 31, 2020, the value of the put option is still the amount initially recognized as the option price is fully secured by the value of SUN shares and that the probability of default was assessed to be remote.

### *10.4 Purchase and Sale Commitment*

On December 27, 2020, the Group (as seller) signed a letter of intent with Global One Real Estate Spain SAU, a related party under common ownership, (as buyer) for the sale of the Group's certain land and buildings in Spain (reported as Non-Current Assets Held for Sale in the interim consolidated statements of financial position) for a total purchase price of €16.6 million at any time until three years after the COVID-19 pandemic has ended. As of September 30, 2021, the purchase and sale transaction has not yet consummated.

### *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, U.S. dollars, Euros and U.K. pounds, 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. The Group has no significant exposure to changes in foreign currency exchange rates for Euros and U.K. pounds since these currencies are not significant to the Group's consolidated financial statements.

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

| | **September 30, 2021 (Unaudited)** | | December 31, 2020 (Audited) | |
|---|---|---|---|---|
| | **U.S. Dollars** | **HK Dollars** | U.S. Dollars | HK Dollars |
| Financial assets | **P 9,431,534,593** | **P 1,685,454,274** | P 18,398,371,318 | P 2,101,047,856 |
| Financial liabilities | **( 37,279,698,657)** | **( 374,876,728)** | ( 40,502,064,230) | ( 327,936,484) |
| | **(P 27,848,164,064)** | **P 1,310,577,546** | (P 22,103,692,912) | P 1,773,111,372 |

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and financial liabilities and the U.S. dollar – Philippine peso exchange rate assumes +/- 6.51% and +/- 6.34% changes in exchange rate for the nine months ended September 30, 2021 and for the year ended December 31, 2020, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 6.45% and +/- 6.44% changes in exchange rate for the nine months ended September 30, 2021 and for the year ended December 31, 2020, 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 P1.8 billion for the nine-month period ended September 30, 2021 and increased (or decreased) by P1.4 billion for the year ended December 31, 2020. 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 P0.1 billion for the nine-month period ended September 30, 2021 and for the year ended December 31, 2020.

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 +/- 1.18% for Philippine peso and +/- 1.21% for U.S. dollar in 2021, and +/- 2.05% for Philippine peso and +/- 2.13% for U.S. dollar in 2020 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, 2021 and December 31, 2020, with effect estimated from the beginning of the period. All other variables held constant, the consolidated profit before tax would have increased by P0.2 billion for the nine-month period ended September 30, 2021, and P0.6 billion for the year ended December 31, 2020. 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 and cash equivalents in banks in the Philippines are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution. The credit risk for cash and cash equivalents are considered negligible since the counterparties are reputable banks with high quality external credit ratings.

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.

ECL for advances to associates and other related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

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 presented below.

| | **September 30, 2021 (Unaudited)** | December 31, 2020 (Audited) |
|---|---|---|
| Not more than 30 days | **P 2,030,817,921** | P 1,900,321,575 |
| 31 to 60 days | **969,873,592** | 1,702,476,239 |
| Over 60 days | **4,704,744,524** | 4,499,027,092 |
| | **P 7,705,436,038** | P 8,101,824,906 |

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 three-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, 2021, 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 48,761,648,601 | P 19,174,795,516 | P - | P - |
| Interest-bearing loans | 29,429,664,879 | 18,035,596,992 | 134,480,164,742 | 783,822,013 |
| Bonds payable | - | 1,598,369,938 | 29,508,911,625 | 18,571,370,563 |
| Equity-linked debt securities (ELS) | 3,443,750,000 | - | - | - |
| Advances from related parties and JO partners | - | 1,877,904,449 | - | - |
| Redeemable preferred shares | - | 257,384,324 | 1,578,238,042 | - |
| Subscription payable | - | 1,114,665,007 | - | - |
| Guaranty deposits | 103,383,176 | 28,870,985 | 227,106,945 | 180,216,940 |
| Accrued rent | - | - | 11,538,105 | - |
| Derivative liabilities | 711,974,968 | - | - | - |
| Other liabilities | - | 2,606,637,383 | 3,744,377,309 | - |
| | **P 82,450,421,624** | **P 44,694,224,594** | **P169,550,336,768** | **P 19,535,409,516** |

As of December 31, 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 45,205,848,778 | P 15,140,777,051 | P - | P - |
| Interest-bearing loans | 27,993,950,057 | 25,580,114,668 | 132,026,258,559 | 809,092,749 |
| Bonds payable | - | 1,846,322,250 | 29,154,792,750 | 18,199,639,500 |
| ELS | 99,750,000 | 3,443,750,000 | - | - |
| Advances from related parties and JO partners | - | 2,181,442,496 | - | - |
| Redeemable preferred shares | - | 257,384,324 | 251,597,580 | 1,574,159,348 |
| Subscription payable | - | 1,114,665,008 | - | - |
| Guaranty deposits | - | 18,471,898 | 424,524,542 | 454,344,271 |
| Accrued rent | - | - | 11,538,105 | - |
| Derivative liabilities | 1,049,127,427 | - | 78,333,347 | - |
| Other liabilities | - | 3,164,723,364 | 3,255,223,656 | - |
| | P 74,348,676,262 | P 52,747,651,059 | P165,202,268,539 | P 21,037,235,868 |

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, 2021 and December 31, 2020 are summarized in the succeeding page.

| | Observed Volatility Rates | | Impact on Equity | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| 2021 - Investment in quoted equity securities at: | | | | |
| FVOCI | **+39.06%** | **-39.06%** | **P 15,642,061** | **(P 15,642,061)** |
| FVTPL | **+39.06%** | **-39.06%** | **1,102,308,417** | **( 1,102,308,417)** |
| 2020 - Investment in quoted equity securities at: | | | | |
| FVOCI | +66.28% | -66.28% | P 39,004,393 | (P 39,004,393) |
| FVTPL | +66.28% | -66.28% | 1,860,908,480 | ( 1,860,908,480) |

The maximum additional estimated gain or loss in 2021 and 2020 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 2021 and 12 months in 2020, 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 and in the succeeding page.

| | September 30, 2021 (Unaudited) | | December 31, 2020 (Audited) | |
|---|---|---|---|---|
| | Carrying Values | Fair Values | Carrying Values | Fair Values |
| ***Financial Assets*** | | | | |
| Financial assets at amortized cost: | | | | |
| Cash and cash equivalents | **P 62,101,071,710** | **P 62,101,071,710** | P 69,697,688,432 | P 69,697,688,432 |
| Trade and other receivables | **63,604,758,815** | **63,583,573,584** | 59,944,535,257 | 59,947,974,952 |
| Other financial assets | **5,628,295,609** | **5,564,655,514** | 5,775,913,038 | 5,803,974,011 |
| | **P 131,334,126,134** | **P 131,249,300,808** | P135,418,136,727 | P 135,449,637,395 |
| Financial assets at FVTPL – Marketable debt and equity securities | **P 14,262,325,537** | **P 14,262,325,537** | P 9,788,321,208 | P 9,788,321,208 |
| Financial assets at FVOCI – Equity securities | **P 411,107,232** | **P 411,107,232** | P 396,914,433 | P 396,914,433 |
| ***Financial Liabilities*** | | | | |
| Financial liabilities at FVTPL – Derivative liabilities | **P 712,430,432** | **P 712,430,432** | P 1,108,228,040 | P 1,108,228,040 |
| Financial liabilities at amortized cost: | | | | |
| Current: | | | | |
| Trade and other payables | **P 70,035,823,471** | **P 70,035,823,471** | P 60,529,715,231 | P 60,529,715,231 |
| Interest-bearing loans | **42,027,469,020** | **42,107,466,250** | 49,545,524,642 | 50,353,603,335 |
| 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 and JO partners | **1,877,904,449** | **1,877,904,449** | 2,181,442,496 | 2,181,442,496 |
| ELS | **3,443,750,000** | **3,443,750,000** | 3,443,750,000 | 3,443,750,000 |
| Commission payable | **2,606,637,383** | **2,606,637,383** | 3,164,723,364 | 3,164,723,364 |
| | **P 121,357,846,911** | **P 121,437,844,141** | P 120,231,418,321 | P121,039,497,014 |

| | September 30, 2021 (Unaudited) | | December 31, 2020 (Audited) | |
|---|---|---|---|---|
| | **Carrying Values** | **Fair Values** | Carrying Values | Fair Values |
| Financial liabilities at amortized cost: | | | | |
| Non-current: | | | | |
| Bonds payable | **P 41,379,355,424** | **P 46,192,298,597** | P 40,282,855,986 | P 43,032,299,663 |
| Interest-bearing loans | **129,302,420,797** | **125,512,738,920** | 124,371,416,317 | 121,262,609,744 |
| Redeemable preferred shares | **1,578,238,042** | **1,739,607,872** | 1,464,659,539 | 1,688,949,585 |
| Retention payable | **3,160,644,036** | **3,160,644,036** | 3,255,790,866 | 3,255,790,866 |
| Security deposits | **803,499,004** | **779,951,787** | 759,328,648 | 794,092,056 |
| Accrued rent | **11,538,105** | **11,538,105** | 11,538,105 | 11,538,105 |
| | **P 176,235,695,408** | **P 177,396,779,317** | P170,145,589,461 | P 170,045,280,019 |

## 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 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, 2021 and December 31, 2020.

| | September 30, 2021 (Unaudited) | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial assets:*** | | | | |
| Financial assets at FVTPL – Debt and equity securities | P 14,262,325,537 | P - | P - | P 14,262,325,537 |
| Financial assets at FVOCI – Equity securities | 40,046,238 | 148,600,000 | 222,460,994 | 411,107,232 |
| | **P 14,302,371,775** | **P 148,600,000** | **P 222,460,994** | **P 14,673,432,769** |
| ***Financial liabilities:*** | | | | |
| Financial liability at FVTPL – Derivative liabilities | **P -** | **P 712,430,432** | **P -** | **P 712,430,432** |

| | December 31, 2020 (Audited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| *Financial assets:* | | | | |
| Financial assets at FVTPL – Debt and equity securities | P 9,788,321,208 | P - | P - | P 9,788,321,208 |
| Financial assets at FVOCI – Equity securities | 58,847,908 | 127,200,000 | 210,866,525 | 396,914,433 |
| | P 9,847,169,116 | P 127,200,000 | P 210,866,525 | P 10,185,235,641 |
| *Financial liabilities:* | | | | |
| Financial liability at FVTPL – Derivative liabilities | P - | P 1,108,228,040 | P - | P 1,108,228,040 |

### 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, 2021 and December 31, 2020.

| | September 30, 2021 (Unaudited) | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial assets:*** | | | | |
| Cash and cash equivalents | P 62,101,071,710 | P - | P - | P 62,101,071,710 |
| Trade and other receivables | - | 63,597,361 | 63,519,976,223 | 63,583,573,584 |
| Other financial assets | 3,068,625,355 | - | 2,496,030,159 | 5,564,655,514 |
| | **P 65,169,697,065** | **P 63,597,361** | **P 66,016,006,382** | **P 131,249,300,808** |
| ***Financial liabilities:*** | | | | |
| Current: | | | | |
| Trade and other payables | P - | P - | P 70,035,823,471 | P 70,035,823,471 |
| Interest-bearing loans | - | - | 42,107,466,250 | 42,107,466,250 |
| Subscription payable | - | - | 1,114,665,008 | 1,114,665,008 |
| Advances from related parties and JO partners | - | - | 1,877,904,449 | 1,877,904,449 |
| Redeemable preferred shares | - | - | 251,597,580 | 251,597,580 |
| ELS | - | - | 3,443,750,000 | 3,443,750,000 |
| Commission payable | - | - | 2,606,637,383 | 2,606,637,383 |
| Non-current: | | | | |
| Bonds payable | 46,192,298,597 | - | - | 46,192,298,597 |
| Interest-bearing loans | - | - | 125,512,738,920 | 125,512,738,920 |
| Redeemable preferred shares | - | - | 1,739,607,872 | 1,739,607,872 |
| Retention payable | - | - | 3,160,644,036 | 3,160,644,036 |
| Security deposits | - | - | 779,951,787 | 779,951,787 |
| Accrued rent | - | - | 11,538,105 | 11,538,105 |
| | **P 46,192,298,597** | **P -** | **P252,642,324,861** | **P 298,834,623,458** |

| | December 31, 2020 (Audited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| *Financial assets:* | | | | |
| Cash and cash equivalents | P 69,697,688,432 | P - | P - | P 69,697,688,432 |
| Trade and other receivables | - | 89,627,074 | 59,858,347,878 | 59,947,974,952 |
| Other financial assets | 3,077,607,181 | - | 2,726,366,830 | 5,803,974,011 |
| | P 72,775,295,613 | P 89,627,074 | P 62,584,714,708 | P 135,449,637,395 |
| *Financial liabilities:* | | | | |
| Current: | | | | |
| Trade and other payables | P - | P - | P 60,529,715,231 | P 60,529,715,231 |
| Interest-bearing loans | - | - | 50,353,603,335 | 50,353,603,335 |
| Subscription payable | - | - | 1,114,665,008 | 1,114,665,008 |
| Advances from related parties | - | - | 2,181,442,496 | 2,181,442,496 |
| Redeemable preferred shares | - | - | 251,597,580 | 251,597,580 |
| ELS | - | - | 3,443,750,000 | 3,443,750,000 |
| Commission payable | - | - | 3,164,723,364 | 3,164,723,364 |
| Non-current: | | | | |
| Bonds payable | 43,032,299,663 | - | - | 43,032,299,663 |
| Interest-bearing loans | - | - | 121,262,609,744 | 121,262,609,744 |
| Redeemable preferred shares | - | - | 1,688,949,585 | 1,688,949,585 |
| Retention payable | - | - | 3,255,790,866 | 3,255,790,866 |
| Security deposits | - | - | 794,092,056 | 794,092,056 |
| Accrued rent | - | - | 11,538,105 | 11,538,105 |
| | P 43,032,299,663 | P - | P248,052,477,370 | P 291,084,777,033 |

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, 2021, the fair value of the Group's investment property amounting to P454.2 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 periods presented.

| | **September 30, 2021 (Unaudited)** | December 31, 2020 (Audited) |
|---|---|---|
| Total liabilities | **P 367,708,397,227** | P 372,673,324,966 |
| Total equity | **312,961,775,796** | 295,819,460,201 |
| Liabilities-to-equity ratio | **P 1.17:1** | P 1.26:1 |

## 15. OTHER MATTERS

During the COVID-19 pandemic, large gatherings are not allowed, dine-in services are limited, social distancing is imposed, curfew hours are in place, and transportation and travel are restricted. Mall and gaming operations were temporarily suspended during ECQ - MECQ and allowed to operate with capacity limits in less restricted classifications.

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, 2021**
***(Amounts in Philippine Pesos)***

| | | |
|---|---|---|
| Current | P | 62,329,675,308 |
| 1 to 30 days | | 2,030,817,921 |
| 31 to 60 days | | 969,873,592 |
| Over 60 days | | 4,704,744,524 |
| Total | | 70,035,111,345 |
| Due from other related parties | | 756,624,010 |
| **Balance as at September 30, 2021** | **P** | **70,791,735,355** |