



**GT CAPITAL**  
HOLDINGS, INCORPORATED

August 14, 2018

**Securities and Exchange Commission**

Ground Floor Secretariat Building  
PICC Complex, Roxas Boulevard  
Pasay City, 1307

Attention: **Atty. Rachel Esther J. Gumtang-Remalante**  
OIC, Director - Corporate Governance and Finance Department

**Philippine Stock Exchange, Inc.**

6/F PSE Tower  
5th Avenue corner 28th Street  
Bonifacio Global City, Taguig City

Attention: **Ms. Janet A. Encarnacion**  
Head - Disclosure Department

Attention: **Mr. Norbert T. Moreno**  
Assistant Head – Disclosure Department

**Subject: Submission of 17Q Report as of June 30, 2018**

Gentlemen /Mesdames:

In line with the reportorial requirements of the Securities Regulation Code and the Revised Disclosure Rules, we hereby submit the attached 2018 Second Quarter Report on SEC Form 17-Q.

Very truly yours,



**Francisco H. Suarez, Jr.**  
Chief Finance Officer

# COVER SHEET

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S.E.C. Registration Number

**G T C A P I T A L H O L D I N G S , I N C .**

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\_\_\_\_\_

(Company's Full Name)

**G T T O W E R I N T E R N A T I O N A L , A Y A L A**

**A V E N U E C O R N E R H . V . D E L A C O S T A**

**S T R E E T , M A K A T I C I T Y**

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

**FH Suarez, Jr. / RP Manon-og**

Contact Person

**836-4500**

Company Telephone Number

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Month      Day  
Fiscal Year

**1 7 - Q**

FORM/TYPE

**2nd Wednesday in  
May of each year**

Month      Day  
Annual Meeting

**N A**

Secondary License Type, If Applicable

SEC General Accountant &

**C F D**

Dept. Requiring this Doc.

**N A**

Amended Articles Number/Section

As of June 30, 2018  
**75**

Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned.

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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: **June 30, 2018**
2. Commission identification number: **CS200711792**
3. BIR Tax Identification No.: **006-806-867**
4. Exact name of issuer as specified in its charter: **GT CAPITAL HOLDINGS, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office: **43/F GT Tower International, Ayala Avenue  
corner H.V. de la Costa Street, Makati City  
Postal Code: 1227**
8. Issuer's telephone number, including area code: **632 836-4500; Fax No: 632 836-4159**
9. Former name, former address and former fiscal year, if changed since last report: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

a) Shares of Stock

Title of Each Class	Number of Shares of Outstanding Common Stock
<b>Common Stock -Php10.00 par value</b>	<b>199,337,584 shares</b>
<b>Series A Perpetual Preferred Shares (GTPPA)</b>	<b>4,839,240 shares</b>
<b>Series B Perpetual Preferred Shares (GTPPB)</b>	<b>7,160,760 shares</b>

b) Debt Securities: Php22 Billion Bonds\*

Title of Each Class	Amount of Debt Outstanding
<b>Corporate Retail Bonds</b>	<b>Php21.9 billion</b>

*\*amount represents only the debt of GT Capital Holdings, Inc. registered with Philippine SEC*

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

**Type of Shares**

**Stock Exchange**

Common Shares

Philippine Stock Exchange

GTPPA

Philippine Stock Exchange

GTPPB

Philippine Stock Exchange

Corporate Retail Bonds

Philippine Dealing and Exchange Corporation

*The Corporation's Voting Preferred Shares are not listed in any stock exchange.*

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports). Yes  No

(b) has been subject to such filing requirements for the past ninety (90) days. Yes  No



## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

Please see attached Interim Condensed Consolidated Financial Statements and General Notes to Interim Condensed Consolidated Financial Statements (Refer to Annex A) and Financial Soundness Indicators (Refer to Annex B).

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Results of Operations- For the Six Months Ended June 30, 2018 and For the Six Months Ended June 30, 2017

GT CAPITAL CONSOLIDATED STATEMENTS OF INCOME  (In millions, except for Percentage)	UNAUDITED Six Months Ended June		Increase (Decrease)	
	2018	2017	Amount	Percentage
<b>REVENUE</b>				
Automotive operations	84,979	94,289	(9,310)	(10%)
Real estate sales and interest income on real estate sales	7,967	7,557	410	5%
Equity in net income of associates and joint ventures	5,870	4,409	1,461	33%
Rent income	594	454	140	31%
Interest income	455	403	52	13%
Sale of goods and services	376	248	128	52%
Commission income	27	30	(3)	(10%)
Other income	899	788	111	14%
	<b>101,167</b>	<b>108,178</b>	<b>(7,011)</b>	<b>(6%)</b>
<b>COST AND EXPENSES</b>				
Cost of goods and services sold	60,594	63,686	(3,092)	(5%)
Cost of goods manufactured	15,413	19,664	(4,251)	(22%)
General and administrative expenses	6,464	5,579	885	16%
Cost of real estate sales	4,818	4,576	242	5%
Interest expense	2,231	1,616	615	38%
Cost of rental	230	147	83	56%
	<b>89,750</b>	<b>95,268</b>	<b>(5,518)</b>	<b>(6%)</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>11,417</b>	<b>12,910</b>	<b>(1,493)</b>	<b>(12%)</b>
<b>PROVISION FOR INCOME TAX</b>	<b>1,784</b>	<b>2,145</b>	<b>(361)</b>	<b>(17%)</b>
<b>NET INCOME</b>	<b>9,633</b>	<b>10,765</b>	<b>(1,132)</b>	<b>(11%)</b>
ATTRIBUTABLE TO:				
Equity holders of the parent company	7,141	7,237	(96)	(1%)
Non-controlling interest	2,492	3,528	(1,036)	(29%)
	<b>9,633</b>	<b>10,765</b>	<b>(1,132)</b>	<b>(11%)</b>

GT Capital Holdings, Inc. ("GT Capital" or the "Parent Company" or the "Company") consolidated net income attributable to equity holders of the Parent Company declined by 1% from Php7.24 billion for the six months ended June 30, 2017 to Php7.14 billion for the six months ended June 30, 2018. The decline was principally due to the 6% decline in the revenues.

Core net income attributable to equity holders of the Parent Company declined by 3% from Php7.36 billion for the six (6) months ended June 30, 2017 to Php7.15 billion in the same period of 2018. Core net income for 2017 amounted to Php7.36 billion after adding back the Php0.12 billion amortization of fair value adjustments arising from business combinations. Core net income for 2018 amounted to Php7.15 billion after adding back the Php0.06 billion amortization of fair value adjustments arising from business combinations and deducting the Php0.05 billion non-recurring gains of MPIC.

The financial statements of Federal Land, PCFI, TMP, TMBC and GT Capital Auto Dealership Holdings, Inc. ("GTCAD") are included in the consolidated financial statements of the Group. The investments in other component companies Metropolitan Bank and Trust Company ("Metrobank"), Philippine AXA Life Insurance Corporation ("AXA Philippines"), Toyota Financial Services Philippines Corporation ("TFSPC"), Metro Pacific Investments Corporation ("MPIC") and Sumisho Motor Finance Corporation ("SMFC") are reported through equity accounting.

Of the ten (10) component companies, Metrobank, MPIC, AXA Philippines, TFSPC and SMFC posted growths in net income for the period in review while Federal Land, PCFI, TMP and TMBC, registered declines in net income. GTCAD has not commenced commercial operations.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts declined by 10% from Php94.29 billion in the first half of 2017 to Php84.98 billion in the first half of 2018 driven by a 12% decline in wholesale volume from 84,616 units to 74,777 units.

Real estate sales and interest income on real estate sales grew by 5% from Php7.56 billion in the first half of 2017 to Php7.97 billion in the first half of 2018 with Federal Land contributing 51% of the sales, mostly from its middle-market development projects. PCFI's affordable and economic housing projects contributed the remaining balance.

Equity in net income of associates and jointly-controlled entities increased by 33% from Php4.41 billion to Php5.87 billion primarily due to increases in:

- (1) net income of Metrobank from Php9.50 billion to Php11.00 billion and increased ownership from 26.47% to 36.09% effective May 1, 2017 and further increasing to 36.36% effective April 1, 2018;
- (2) net income of MPIC from Php7.82 billion to Php8.94 billion; and
- (3) net income of AXA Philippines from Php1.00 billion to Php1.34 billion.

Rent income mainly from the GT Tower International office building, Blue Bay Walk, and Florida Sun Estates increased by 31% from Php0.45 billion to Php0.59 billion driven by rate escalation and new tenants for IMET.

Interest income increased by Php0.05 billion from Php0.40 billion to Php0.45 billion due to higher level of time deposit placements.

Sale of goods and services, consisting of the sale of petroleum products on a wholesale and retail basis, in the Blue Wave and Blue Baywalk malls situated in Pasay City and Marikina City, increased by Php0.13 billion from Php0.25 billion to Php0.38 billion due an increase in fuel and restaurant sales.

Commission income declined by Php2.60 million from Php29.63 million in the first half of 2017 to Php27.03 million in the first half of 2018 due to a decline in booked sales from Grand Hyatt Residences.



Other income grew by 14% from Php0.79 billion to Php0.90 billion with: (1) TMP contributing Php0.32 billion consisting of gain on sale of fixed assets, ancillary income and other income; (2) TMBC contributing Php0.22 billion consisting of ancillary income on finance and insurance commissions and other income; and (3) Federal Land contributing Php0.20 billion comprising real estate forfeitures, management fees and other income. The remaining balance of Php0.10 billion and Php0.06 billion came from PCFI and GT Capital, respectively.

Consolidated costs and expenses decreased by 6% from Php95.27 billion to Php89.75 billion. TMP contributed Php70.03 billion comprising cost of goods and services sold, cost of goods manufactured, general and administrative expenses and interest expenses. TMBC contributed Php9.62 billion composed of cost of goods and services sold, general and administrative expenses and interest expenses. Federal Land contributed Php4.44 billion consisting of cost of real estate sales, cost of goods and services sold, cost of rental, general and administration expenses and interest expenses. PCFI contributed Php3.81 billion consisting of cost of real estate sales, general and administration expenses and interest expenses. GT Capital contributed Php1.85 billion representing general and administrative expenses and interest expenses.

Cost of goods and services sold decreased by 5% from Php63.69 billion to Php60.59 billion with TMP's and TMBC's completely built-up units (CBU) and spare parts accounting for Php51.47 billion and Php8.80 billion, respectively. The balance of Php0.32 billion came from Federal Land's petroleum service station business.

Cost of goods manufactured comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP declined by 22% from Php19.66 billion in the first half of 2017 to Php15.41 billion in the first half of 2018.

General and administrative expenses grew by 16% from Php5.58 billion to Php6.46 billion. TMP accounted for Php3.09 billion consisting of advertisements and promotional expenses, salaries and wages, taxes and licenses and delivery and handling expenses. PCFI contributed Php1.38 billion consisting of salaries and wages, commission expenses, advertising and promotional expenses, taxes and licenses and outside services. Federal Land accounted for Php1.10 billion composed of salaries and wages, commission expenses, taxes and licenses and repairs and maintenance expenses; and TMBC contributed Php0.78 billion representing salaries and wages, commission expenses and taxes and licenses and advertising and promotional expenses. GT Capital contributed Php0.11 billion consisting of salaries and wages, professional fees and taxes and licenses.

Cost of real estate sales grew by 5% from Php4.58 billion to Php4.82 billion due to an increase in booked real estate sales. Federal Land contributed 55% while PCFI accounted for the remaining balance.

Interest expenses increased by 38% from Php1.62 billion in the first half of 2017 to Php2.23 billion in the first half of 2018 with GT Capital, PCFI, Federal Land, TMP and TMBC accounting for Php1.73 billion, Php0.24 billion, Php0.16 billion, Php0.06 billion and Php0.04 billion, respectively.

Cost of rental increased by 56% from Php0.15 billion to Php0.23 billion due to an increase in operating expenses incurred in the leasing business such as depreciation, utilities and other overhead expenses.

Provision for income tax declined by 17% from Php2.15 billion to Php1.78 billion due to the lower level of taxable income for the first half of 2018 versus the first half of 2017.

Consolidated Results of Operations- For the Second Quarter ended June 30, 2018 and For the Second Quarter ended June 30, 2017

GT CAPITAL CONSOLIDATED STATEMENTS OF INCOME (In millions, except for Percentage)	UNAUDITED April to June		Increase (Decrease)	
	2018	2017	Amount	Percentage
<b>REVENUE</b>				
Automotive operations	47,126	51,444	(4,318)	(8%)
Real estate sales and interest income on real estate sales	4,367	4,670	(303)	(6%)
Equity in net income of associates and joint ventures	2,988	2,305	683	30%
Rent income	316	233	83	36%
Interest income	228	190	38	20%
Sale of goods and services	196	94	102	109%
Commission income	14	24	(10)	(42%)
Other income	479	468	11	2%
	<b>55,714</b>	<b>59,428</b>	<b>(3,714)</b>	<b>(6%)</b>
<b>COST AND EXPENSES</b>				
Cost of goods and services sold	35,016	35,048	(32)	(0%)
Cost of goods manufactured	7,525	9,940	(2,415)	(24%)
General and administrative expenses	3,593	3,072	521	17%
Cost of real estate sales	2,577	2,783	(206)	(7%)
Interest expense	1,336	818	518	63%
Cost of rental	126	66	60	91%
	<b>50,173</b>	<b>51,727</b>	<b>(1,554)</b>	<b>(3%)</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>5,541</b>	<b>7,701</b>	<b>(2,160)</b>	<b>(28%)</b>
<b>PROVISION FOR INCOME TAX</b>	<b>928</b>	<b>1,435</b>	<b>(507)</b>	<b>(35%)</b>
<b>NET INCOME</b>	<b>4,613</b>	<b>6,266</b>	<b>(1,653)</b>	<b>(26%)</b>
ATTRIBUTABLE TO:				
Equity holders of the parent company	3,404	4,136	(732)	(18%)
Non-controlling interest	1,209	2,130	(921)	(43%)
	<b>4,613</b>	<b>6,266</b>	<b>(1,653)</b>	<b>(26%)</b>

Net income attributable to equity holders of the Parent Company declined by 18% from Php4.14 billion for the second quarter ended June 30, 2017 to Php3.40 billion for the second quarter ended June 30, 2018 primarily due to the 6% decline in revenue.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts declined by 8% from Php51.44 billion in the first half of 2017 to Php47.13 billion in the first half of 2018 driven by a 6% decline in wholesale volume from 43,716 units to 40,900 units for the period in review.

Real estate sales and interest income on real estate sales declined by 7% from Php4.68 billion to Php4.37 billion with PCFI contributing 57% of sales and Federal Land contributing the remaining balance.

Equity in net income of associates and jointly-controlled entities increased by 30% from Php2.31 billion to Php2.98 billion primarily due to increases in the: (1) net income of Metrobank from Php3.93 billion to Php5.15 billion and increased ownership from 26.47% to 36.09% effective May 1, 2017 and increasing further to 36.36% effective April 1, 2018; (2) net income of MPIC from Php4.81 billion to Php5.12 billion; and (3) net income of AXA Philippines from Php0.61 billion to Php0.79 billion.



Rent income mainly from the GT Tower International office building and Blue Bay Walk increased by 36% from Php0.23 billion to Php0.32 billion.

Interest income on deposits and investments grew from Php0.18 billion to Php0.23 billion owing to a higher level of time deposit placements.

Sales of goods and services consisting of the sale of petroleum products, on a wholesale and retail basis, grew by Php0.10 billion from Php0.09 billion to Php0.20 billion due to higher fuel sales arising from successive price increases and rollbacks implemented in the quarter.

Commission income declined by Php9.75 million from Php24.01 million in the second quarter of 2017 to Php14.26 million in the second quarter of 2018 due to a decline in booked sales from Grand Hyatt Residences.

Consolidated costs and expenses declined by 3% from Php51.73 billion to Php50.17 billion. TMP contributed Php39.40 billion comprising cost of goods and services sold, cost of goods manufactured, general and administrative expenses and interest expenses. TMBC contributed Php5.16 billion comprising cost of goods and services sold, general and administrative expenses and interest expenses. Federal Land contributed Php2.25 billion from cost of real estate sales, cost of goods and services sold, general and administrative expenses and interest expenses. PCFI contributed Php2.22 billion composed of cost of real estate sales, general and administrative expenses and interest expenses. GT Capital contributed Php1.14 billion consisting of general and administrative expenses and interest expenses.

Cost of goods manufactured comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP dropped by 24% from Php9.94 billion in the second quarter of 2017 to Php7.53 billion in the same period of 2018 due to a decline in sales volume for the quarter.

General and administrative expenses increased by 17% from Php3.07 billion to Php3.59 billion with TMP, PCFI, Federal Land, TMBC, and GT Capital contributing Php1.74 billion, Php0.82 billion, Php0.57 billion, Php0.40 billion and Php0.06 billion, respectively.

Cost of real estate sales declined by 7% from Php2.78 billion to Php2.58 billion arising from a decline in real estate sales.

Interest expenses increased by 63% from Php0.82 billion in the second quarter of 2017 to Php1.34 billion in the second quarter of 2018 with GT Capital, PCFI, Federal Land, TMP and TMBC accounting for Php1.07 billion, Php0.13 billion, Php0.09 billion, Php0.03 billion and Php0.02 billion, respectively.

Cost of rental increased by Php0.06 billion from Php0.07 billion to Php0.13 billion due to an increase in operating expenses incurred in the leasing business such as depreciation, utilities and other overhead expenses.

Provision for income tax dropped by 35% from Php1.44 billion to Php0.93 billion due to a decline in taxable income for the second quarter of 2018 as compared to same period of 2017.



Consolidated Statements of Financial Position- As of June 30, 2018 and As of December 31, 2017

(In Million Pesos, Except for Percentage)

	Unaudited	Audited	Increase (Decrease)	
	June 2018	December 2017	Amount	Percentage
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	13,678	20,155	(6,477)	(32%)
Cash - restricted	4,024	–	4,024	100%
Short-term investments	1,815	1,666	149	9%
Fair value through profit or loss investments	3,121	–	3,121	100%
Available-for-sale investments	–	611	(611)	(100%)
Receivables	21,301	24,374	(3,073)	(13%)
Inventories	61,085	56,594	4,491	8%
Due from related parties	178	166	12	7%
Prepayments and other current assets	12,978	10,417	2,561	25%
<b>Total Current Assets</b>	<b>118,180</b>	<b>113,983</b>	<b>4,197</b>	<b>4%</b>
<b>Non Current Assets</b>				
Fair value through other comprehensive income/ Available-for-sale investments	8,528	2,103	6,425	306%
Receivables – net of current portion	8,911	4,720	4,191	89%
Land held for future development	18,306	18,278	28	0%
Investment properties	17,271	17,392	(121)	(1%)
Investments in associates and joint ventures	161,980	124,892	37,088	30%
Property and equipment	12,783	11,671	1,112	10%
Goodwill and intangible assets	12,988	13,012	(24)	(0%)
Deferred tax assets	758	731	27	4%
Other noncurrent assets	1,342	909	433	48%
<b>Total Noncurrent Assets</b>	<b>242,867</b>	<b>193,708</b>	<b>49,159</b>	<b>25%</b>
	<b>361,047</b>	<b>307,691</b>	<b>53,356</b>	<b>17%</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts and other payables	28,206	25,983	2,223	9%
Short term debt	26,387	6,033	20,354	337%
Current portion of long-term debt	779	2,467	(1,688)	(68%)
Current portion of liabilities on purchased properties	416	582	(166)	(29%)
Customers' deposits	5,323	4,941	382	8%
Dividends payable	294	589	(295)	(50%)
Due to related parties	199	189	10	5%
Income tax payable	680	777	(97)	(12%)
Other current liabilities	490	1,229	(739)	(60%)
<b>Total Current Liabilities</b>	<b>62,774</b>	<b>42,790</b>	<b>19,984</b>	<b>47%</b>
<b>Noncurrent Liabilities</b>				
Long-term debt – net of current portion	84,210	57,021	27,189	48%
Bonds payable	21,892	21,877	15	0%
Liabilities on purchased properties - net of current portion	3,099	3,152	(53)	(2%)
Pension liabilities	1,495	1,399	96	7%
Deferred tax liabilities	5,547	5,594	(47)	(1%)
Other noncurrent liabilities	2,363	2,167	196	9%
<b>Total Noncurrent Liabilities</b>	<b>118,606</b>	<b>91,210</b>	<b>27,396</b>	<b>30%</b>
	<b>181,380</b>	<b>134,000</b>	<b>47,380</b>	<b>35%</b>

(In Million Pesos, Except for Percentage)	Unaudited	Audited	Increase (Decrease)	
	June 2018	December 2017	Amount	Percentage
<b>EQUITY</b>				
Equity attributable to equity holders of the Parent Company				
Capital stock	3,143	3,143	–	0%
Additional paid-in capital	78,940	78,940	–	0%
Stock dividend distributable	6,721	–	6,721	100%
Retained earnings				
Unappropriated	65,478	48,582	16,896	35%
Appropriated	–	19,000	(19,000)	(100%)
Other comprehensive loss	(1,092)	(5,975)	4,883	82%
Other equity adjustments	2,322	2,322	–	0%
	<b>155,512</b>	146,012	9,500	7%
Non-controlling interest	24,155	27,679	(3,524)	(13%)
<b>Total Equity</b>	<b>179,667</b>	173,691	5,976	3%
	<b>361,047</b>	307,691	53,356	17%

The major changes in GT Capital's consolidated balance sheet from December 31, 2017 to June 30, 2018 are as follows:

Consolidated assets increased by 17% or Php53.36 billion from Php307.69 billion as of December 31, 2017 to Php361.05 billion as of June 30, 2018. Total liabilities increased by 35% or Php47.38 billion from Php134.00 billion to Php181.38 billion while total equity increased by 3% or Php5.98 billion from Php173.69 billion to Php179.67 billion.

Cash and cash equivalents declined by Php6.48 billion from Php20.16 billion to Php13.68 billion with TMP, GT Capital-Parent Company, PCFI, Federal Land, GTCAD and TMBC accounting for Php6.00 billion, Php4.97 billion, Php1.21 billion, Php1.17 billion, Php0.18 billion and Php0.15 billion, respectively.

Restricted Cash pertains to cash earmarked for the additional acquisition of shares of stock of Toyota Motor Corporation (TMC).

Short-term investments increased by 9% from Php1.67 billion to Php1.82 billion comprising short-term money market placements of TMP.

Fair value through profit or loss (FVTPL) amounting to Php3.12 billion pertain to investments in Unit Investment Trust Fund (UITF) as of June 30, 2018 following the classification under Philippine Financial Reporting Standards (PFRS) 9 effective January 1, 2018. Under the old standard, investments in UITF are classified under Available for sale (AFS) investments.

Receivables declined by 13% or Php3.07 billion from Php24.37 billion to Php21.30 billion with TMP contributing Php6.98 billion consisting of trade and non-trade receivables; Federal Land contributing Php6.44 billion, a majority of which were installment contract receivables, rent receivable and other receivables; PCFI contributing Php6.29 billion comprising of installment contract receivables and other receivables; TMBC accounting for Php1.54 billion representing trade receivables from the sale of automobiles and after-sales maintenance services and GT Capital contributing the remaining balance of Php0.05 billion.



Inventories grew by 8% from Php56.59 billion to Php61.09 billion with Federal Land contributing Php38.88 billion comprising land and improvements, condominium units for sale and inventory with construction-in-progress; PCFI contributing Php11.92 billion comprising land and improvements, material inventory, ongoing construction of house inventory and condominium units for sale; TMP contributing Php9.05 billion mostly finished goods; and the balance of Php1.23 billion coming from TMBC representing automobiles and spare parts.

Due from related parties increased by Php0.01 billion from Php0.17 billion to Php0.18 billion mainly from TMP's related-parties.

Prepayments and other current assets increased by 25% from Php10.42 billion to Php12.98 billion comprising input VAT, advances to contractors and suppliers, prepaid expenses and creditable withholding taxes from Federal Land, (Php5.73 billion); PCFI, (Php5.58 billion); TMP, (Php1.42 billion); TMBC, (Php0.20 billion); and GT Capital, (Php0.05 billion).

Fair value through other comprehensive income (FVOCI)/AFS investments non-current grew by Php6.43 billion from Php2.10 billion to Php8.53 billion mainly due to the acquisition of Toyota Motor Corporation common shares in the Tokyo Stock Exchange.

Non-current receivables increased by Php4.19 billion from Php4.72 billion to Php8.91 billion mainly Federal Land's booked real estate sales.

Investments in associates and joint ventures increased by 30% from Php124.89 billion to Php161.98 billion primarily due to: (1) Participation in Metrobank Stock Rights Offering, (Php22.45 billion); (2) Equity call of TFS, (Php0.72 billion); (3) Federal Land's additional investment in Sunshine Fort, (Php4.33 billion) and ST 6747, (Php0.47 billion); (4) Federal Land's new investment in North Bonifacio Landmark Realty Development Corporation, (Php1.58 billion) and Magnificat, (Php0.05 billion); (5) Equity in net income of associates for the period ended, (Php5.87 billion); and (6) Equity share in Other Comprehensive Income of associates, (Php5.10 billion); offset by (1) Php1.54 billion dividend income received from Metrobank, MPIC and Crown Central; and (2) Php1.95 billion equity in impact of PFRS 9 adoption by associates.

Property and equipment grew by 10% from Php11.67 billion to Php12.78 billion mainly due to additional CAPEX in relation to the full model change of Vios and the completion of the new building facility of Toyota Marikina.

Other non-current assets increased by 48% from Php0.91 billion to Php1.34 billion comprising long-term deposits, non-current input tax, derivative asset, non-current prepaid rent and other assets from PCFI, (Php0.72 billion); Federal Land, (Php0.35 billion); TMP, (Php0.16 billion); GTCAD, (Php0.08 billion); TMBC, (Php0.02 billion); and GT Capital, (Php0.01 billion).

Accounts and other payables increased by 9% from Php25.98 billion to Php28.21 billion with TMP, Federal Land, PCFI, TMBC, GT Capital and GTCAD accounting for Php17.35 billion, Php5.65 billion, Php3.23 billion, Php1.75 billion, Php0.21 and Php.02 billion, respectively.

Short-term debt increased by Php20.35 billion from Php6.03 billion to Php26.39 billion due to loan availments of GT Capital, (Php10.75 billion); Federal Land, (Php7.40 billion); PCFI, (Php2.75 billion); TMBC, (Php2.58 billion); and TMP, (Php1.30 billion); offset by loan payments by TMBC, (Php2.51 billion); and TMP, (Php1.92 billion).

Current portion of long-term debt declined by Php1.69 billion from Php2.47 billion to Php0.78 billion primarily due to loan payment by PCFI (Php2.78 billion) offset by reclassification from noncurrent portion of long-term debt (Php1.08 billion).

Current portion of liabilities on purchased properties declined by 29% from Php582.07 million to Php416.03 million due to fifth amortization payment made by Federal Land.

Customers' deposits current increased by 8% from Php4.94 billion to Php5.32 billion mainly due to increased collections for accounts which do not qualify yet for revenue recognition.

Dividends payable declined by Php0.30 billion from Php0.59 billion to Php0.29 billion due to GT Capital's payment of cash dividends on perpetual preferred shares in January and April 2018.

Due to related parties increased by 5% from Php0.19 billion to Php0.20 million primarily due to Federal Land's related parties.

Income tax payable declined by 12% from Php0.78 billion to Php0.68 billion due to payment of income tax payable as of December 2017 due in April 2018.

Other current liabilities declined by Php0.74 billion from Php1.23 billion to Php0.49 billion primarily due to the settlement of withholding taxes and output tax as of December 31, 2017 which were paid in the first quarter of 2018.

Long-term debt increased by Php27.19 billion from Php57.02 billion to Php84.21 billion primarily due to the: 1) Parent Company's availment of Php25 billion long-term loans to fund its pro-rata share in the Metrobank stock rights offering, net of documentary stamp tax of Php0.19 billion, 2) Php3.25 billion long term loan availment of Federal Land, and 3) translation loss of US dollar denominated loan, (Php0.21 billion), offset by a reclassification to current portion of long-term debt, (Php1.08 billion).

Pension liabilities increased by 7% from Php1.40 billion to Php1.50 billion due to accrual of retirement expense for the first half of 2018.

Other non-current liabilities increased by 9% from Php2.17 billion to Php2.36 billion due to additional retention payable for the first half of 2018.

Stock dividend distributable of Php6.7 billion pertain to the declaration of 3.5% stock dividends by GT Capital at Php997.00 per share.

Unappropriated retained earnings increased by Php16.89 billion from Php48.58 billion to Php65.47 billion mainly due to: (1) Php7.14 billion consolidated net income earned attributable to Parent Company in the first six (6) months of 2018; and (2) Php19.0 billion reversal of appropriated retained earnings for the strategic investment in financial services; mitigated by the (1) Php1.95 billion impact of PFRS9 adoption by MBTC, TFS and SMFC; (2) Php6.72 billion stock dividend distributable in August 2018 declared and approved in May 2018; and (3) Php0.58 billion cash dividends declared on common and voting preferred shares in March 2018.

Appropriated retained earnings of Php19.00 billion for the strategic investment in financial services was reversed due to the completion of the purpose of appropriation.



Other comprehensive loss improved by Php4.88 billion from a negative Php5.98 billion to a negative Php1.09 billion primarily due to the (1) Php5.44 billion mark-to-market (MTM) gains impact of adoption of PFRS 9; (2) Php0.27 billion positive translation adjustment in subsidiaries and associates; (3) Php0.17 billion gain on remeasurement of cash flow hedge reserve of subsidiaries and associates; (4) Php0.18 billion gain on remeasurement of life insurance reserve; and (5) Php0.04 positive other equity adjustments in associates; offset by, (1) Php1.10 billion MTM loss on available-for-sale investments of GT Capital's subsidiaries and associates; and (2) Php0.12 billion MTM loss on remeasurement of retirement liabilities.

Non-controlling interest (NCI) declined by 13% from Php27.68 billion to Php24.16 billion due to the Php2.49 billion net income attributable to NCI, Php0.11 billion other comprehensive income attributable to NCI, Php0.05 billion share of NCI in capital call offset by Php6.17 billion NCI share in dividends declared by majority-owned subsidiaries.

Key Performance Indicators (In Million Pesos, except %)

<b>Income Statement</b>	<b>June 30, 2017</b>	<b>June 30, 2018</b>
Total Revenues	108,178	101,167
Net Income attributable to GT Capital Holdings	7,237	7,141
<b>Balance Sheet</b>	<b>December 31, 2017</b>	<b>June 30, 2018</b>
Total Assets	307,691	361,047
Total Liabilities	134,000	181,380
Equity attributable to GT Capital Holdings	146,012	155,512
Return on Equity	12.22%*	9.62%

\* Core net income attributable to GT Capital's common stockholders divided by the average equity; where average equity is the sum of equity attributable to GT Capital's common stockholders at the beginning and end of the period/year divided by 2. December 31, 2017 is full year while June 30, 2018 is annualized.



## Automobile Assembly and Importation, Dealership and Financing

### Toyota Motor Philippines (TMP)

	In Million Pesos, except for ratios		Inc (Dec)	%
	1H 2017	1H 2018		
Sales	82,057.9	76,361.9	(5,696.0)	(6.9)
Gross Profit	10,305.5	8,658.6	(1,646.9)	(16.0)
Operating Profit	7,794.3	5,721.7	(2,072.6)	(26.6)
Net income attributable to Parent	6,332.2	4,460.0	(1,872.2)	(29.6)
	FY 2017	1H 2018		%
Total Assets	42,158.3	34,124.0	(8,034.3)	(19.1)
Total Liabilities	23,010.7	22,908.7	(102.0)	(0.4)
Total Equity	19,147.6	11,215.3	(7,932.3)	(41.4)
Total Liabilities to Equity ratio*	1.2x	2.0x		

*\*Total Liabilities to Equity ratio is a measure of the company's financial leverage which is calculated by dividing total liabilities by total equity*

TMP's consolidated sales declined by 6.9% from Php82.1 billion in the first half of 2017 to Php76.4 billion in the first half of 2018 as wholesales volume declined by 12% from 84,616 units to 74,777 units. TMP retail sales volume, likewise, declined by 15% from 85,728 units to 73,136 units. Industry retail sales volume also declined by 12% from 217,895 units to 191,495 units. As a result, TMP market share declined from 39.3% in the first half of 2017 to 38.2% in the first half of 2018 as demand slowed down attributable to the new auto excise tax law implementation, suspension of the issuance for new franchise to TNVS effective August 2017, supply limitation for commercial vehicles in the first quarter of 2018 and run-out of the old Vios effective May 2018. Last July 20, 2018, TMP launched the Full Model Change Vios, it's official entry to the government's CARS program.

As of June 30, 2018, TMP increased its auto dealership complement from 63 to 66 outlets. Last July 11, 2018, TMP inaugurated its 67<sup>th</sup> dealership - Toyota Valencia, situated in Valencia City, Bukidnon.

The lower sales volume, unfavorable foreign exchange for the Philippine Peso vis-à-vis the US dollar, higher sales of low profit models and increased operating and overhead costs, resulted in a decline in gross profit, operating profit, net income margins, from 12.6%, 9.5% and 7.8% to 11.3%, 7.5% and 6.0%, respectively. Likewise, consolidated net income attributable to equity holders declined by 29.6% from Php6.3 billion to Php4.5 billion mainly due to the above mentioned profit decreasing factors.

As of June 30, 2018, TMP directly owns seven (7) dealer outlets namely Toyota Makati with one (1) branch Toyota Bicutan, Toyota San Fernando in Pampanga with one (1) branch in Plaridel Bulacan, Toyota Tarlac in Tarlac City, Lexus Manila, situated in Bonifacio Global City, Taguig City and Toyota Santa Rosa, situated in Sta. Rosa, Laguna, which commenced operations in August 2017.

### Toyota Financial Services Philippines Corporation (TFSPC)

	In Million Pesos, except for ratios		Inc (Dec)	%
	1H 2017	1H 2018		
Gross Interest Income	2,274.4	2,947.5	673.1	29.6
Net Interest Income	1,347.0	1,635.6	288.6	21.4
Net Income	233.3	417.8	184.5	79.1
Finance Receivable	51,041.3	62,931.6	11,890.3	23.3
	FY 2017	1H 2018		
Total Assets	58,742.0	76,982.5	18,240.5	31.1
Total Equity	5,051.7	7,266.8	2,215.1	43.8

TFSPC recorded a 29.6% growth in gross interest income from Php2.3 billion in the first half of 2017 to Php2.9 billion in the first half of 2018, as loans and receivables increased by 23.3% from Php51.0 billion to Php62.9 billion on a year-on-year basis.

Booking volume, however, declined from 17,671 units to 15,908 units in the first half of 2018 attributable to the overall demand slowdown of the auto industry. This, however, resulted in slightly improved penetration rate from 21% to 22%.

Net income increased by 79.1% from Php233.3 million to Php417.8 million due to the 72.9% growth in operating income from Php365.5 million to Php632.1 million, as provisions for credit and impairment losses declined by 26.0% driven by the change in provisioning policy, ROPA reversals and written off accounts and improvement in delinquency ratio.

### Toyota Manila Bay Corporation (TMBC)

	In Million Pesos, except for ratios		Inc (Dec)	%
	1H 2017	1H 2018		
Net Sales	12,323.3	9,614.0	(2,709.3)	(22.0)
Gross Profit	849.3	722.6	(126.7)	(14.9)
Ancillary Income	212.0	217.0	5.0	2.3
Net Income	193.5	94.3	(99.3)	(51.3)
	FY 2017	1H 2018		
Total Assets	6,059.9	6,311.5	251.6	4.2
Total Liabilities	3,839.8	3,996.3	156.5	4.1
Total Equity	2,220.1	2,315.2	95.1	4.3

Consolidated sales, comprising of vehicle sales, spare parts and maintenance services, declined by 22.0% from Php12.3 billion in the first half of 2017 to Php9.6 billion in the first half of 2018. Vehicle sales, accounting for 90.6% of TMBC's revenues, decreased by 23.9% from Php11.4 billion to Php8.7 billion arising from lower sales booking.

Retail sales volume declined by 28.9% from 11,071 units to 7,867 units due to overall market slowdown attributed to the implementation of the new auto excise tax, suspension of the issuance for new franchise to TNVS effective August 2017, low supply of commercial vehicles in the first quarter of 2018



and old Vios model run-out effective May 2018. Sales from spare parts and maintenance services, accounting for a combined 9.4% of revenues, increased slightly by 2.5%.

Consolidated net income in the first half of 2018 decreased by 51.3% from Php193.5 million to Php94.3 million, as gross margin on vehicle sales declined by 25.3% and interest expense almost tripled due to the outright recognition of interest expenses arising from the start of commercial operations of the new Manila Bay and Marikina dealership facilities, inaugurated last October 2017 and May 2018, respectively.

TMBC currently owns five (5) dealer outlets namely Toyota Manila Bay, Toyota Abad Santos, Toyota Cubao and Toyota Marikina, all situated within Metro Manila; and Toyota Dasmariñas in Cavite.

#### Sumisho Motor Finance Corporation (SMFC)

	In Million Pesos, except for ratios		Inc (Dec)	%
	1H 2017	1H 2018		
Gross Interest Income	387.2	530.4	143.2	37.0
Net Interest Income	374.7	492.6	117.9	31.5
Net Income	81.8	119.4	37.6	46.0
Finance Receivable	2,688.8	3,907.2	1218.4	45.3
	<b>1H 2017</b>	<b>1H 2018</b>		
Total Assets	2,890.5	4,183.0	1292.5	44.7
Total Equity	1,899.7	2,146.4	246.7	13.0

On August 9, 2017, GT Capital completed its acquisition of a 20% direct equity stake in SMFC from Philippine Savings Bank ("PS Bank") and the PS Bank Retirement Fund for a total consideration of Php379.92 million. The acquisition was GT Capital's entry into micro-financing, specifically motorcycle financing, a high growth sector in the Philippines. The investment will also strengthen the Group's strategic relationship with Sumitomo Corporation, one of Japan's leading conglomerates.

SMFC recorded a 37.0% growth in gross interest income from Php387.2 million in the first half of 2017 to Php530.4 million in the first half of 2018, as finance receivable increased by 45.3% from Php2.7 billion to Php3.9 billion on a year-on-year basis. Bookings volume also grew by 47.3% from 16,234 units to 23,908 units in the first half of 2018 outperforming the strong performance for Japanese brand motorcycles, which increased by 25.4% from 607,580 to 762,296 units.

Net income increased by 46.0% from Php81.8 million to Php119.4 million although provisions for credit losses increased due to adoption of PFRS 9.

## **Banking**

### **Metrobank**

	<b>In Billion Pesos, except for percentages and ratios</b>			
	<b>1H2017</b>	<b>1H2018</b>	<b>Inc (Dec)</b>	<b>%</b>
Net income attributable to equity holders	9.50	11.01	1.51	15.9
Net interest margin on average earning assets	3.7%	3.8%		
Operating efficiency ratio <sup>1</sup>	57.9%	58.0%		
Return on average assets <sup>2</sup>	1.0%	1.0%		
Return on average equity <sup>3</sup>	9.5%	9.2%		

	<b>FY 2017</b>	<b>1H2018</b>	<b>Inc (Dec)</b>	<b>%</b>
Total assets	2,080.3	2,172.5	92.2	4.4
Total liabilities	1,876.2	1,892.5	16.3	0.9
Equity attributable to equity holders of the parent company	202.0	277.6	75.6	37.5
Tier 1 capital adequacy ratio <sup>4</sup>	11.8%	15.3%		
Total capital adequacy ratio <sup>4</sup>	14.4%	17.8%		
Non-performing loans ratio <sup>5</sup>	1.0%	1.1%		
Non-performing loans coverage ratio <sup>6</sup>	89.3%	110.9%		

**Notes:**

- (1) Operating efficiency ratio is the ratio of total operating expenses (excluding provisions for credit and impairment loss and income tax) to total operating income (excluding share in net income of associates and joint venture).
- (2) Return on average asset is the net income attributable to equity holders of the parent company divided by the average total assets
- (3) Return on average equity is the net income attributable to equity holders of the parent company divided by the average total equity attributable to equity holders of the parent company
- (4) Capital adequacy ratios as of December 31, 2017 and June 30, 2018 were computed based on Basel III standards.
- (5) Non-performing loans ratio is the ratio of net non-performing loans divided by total loans – excluding interbank loans.
- (6) Non-performing loans coverage ratio is the ratio of the total allowance for probable losses on loans divided by gross non-performing loans

Metrobank's consolidated net income grew by 15.9% from Php9.5 billion in the first half of 2017 to Php11.0 billion in the first half of 2018. This was driven by an increase in net interest income by 12.5% from Php29.6 billion in the first half of 2017 to Php33.3 billion in the first half of 2018, comprising 74.0% of total operating income. In addition, this was coupled with strong demand from the commercial and consumer segments growing at 18.4% and improvement in net interest margin from 3.7% to 3.8% due to higher CASA ratio at 62% of total deposits.

Further, non-interest income grew by 13.6% from Php10.4 billion in the first half of 2017 to Php11.8 billion in the first half of 2018 due to increases in service charges, fees and commissions and miscellaneous income offset by a lower net trading and foreign exchange gains.

Total assets grew by 4.4% from Php2.1 trillion as of December 31, 2017 to Php2.2 trillion as of June 30, 2018 due to increases in loans and receivables, investment securities, due from other banks, interbank



loans receivable and securities purchased under resale agreements, and other assets offset by decreases in cash and other cash items, and due from Bangko Sentral ng Pilipinas.

Total liabilities, likewise, grew from Php1.88 trillion to Php1.89 trillion due to increases in deposits liabilities, and derivative liabilities offset by decreases in income tax payable, and other liabilities. CASA deposits increased by Php13.6 billion from Php950.2 billion to Php963.9 billion. As of June 30, 2018, outstanding LTNCDs amounted to Php30.0 billion. On July 23, 2018, BSP approved an additional issuance of up to Php25.0 billion LTNCD.

Equity attributable to equity holders of the parent company improved by 37.5% from Php202.0 billion as of December 31, 2017 to Php277.6 billion as of June 30, 2018 due to the stock rights issuance on April 12, 2018, net income earned and effect of PFRS 9 adoption offset by Php1.8 billion in net unrealized losses on investment securities, and P3.2 billion cash dividends.

### **Property Development**

#### **Federal Land and Property Company of Friends**

	<b>In Million Pesos, except for percentages and ratios</b>			
	<b>1H2017</b>	<b>1H2018</b>	<b>Inc(Dec)</b>	<b>%</b>
Real Estate Sales *	7,556.9	8,166.4	609.5	8.1
Revenues	8,868.3	9,659.6	791.3	8.9
Net income attributable to equity holders of the parent	1,461.9	1,103.2	(358.7)	(24.5)
	<b>FY2017</b>	<b>1H2018</b>	<b>Inc(Dec)</b>	<b>%</b>
Total assets	115,683.2	128,359.4	12,676.2	11.0
Total liabilities	55,791.4	67,276.9	11,485.5	20.6
Total equity attributable to equity holders of the parent	59,781.5	60,964.4	1,182.9	2.0
Current ratio <sup>1</sup>	4.0x	2.8x		
Debt to equity ratio <sup>2</sup>	0.6x	0.8x		

\* Includes interest income on real estate sales

Notes:

(1) Current ratio is the ratio of total current assets divided by total current liabilities.

(2) Debt to equity ratio is the ratio of total loans divided by total equity attributable to equity holders of the parent company

GT Capital's property companies recorded an 8.9% growth in consolidated revenues from Php8.9 billion in the first half of 2017 to Php9.7 billion in the first half of 2018. Of total revenues, Federal Land accounted for 54%, while the balance came from PCFI. Consolidated real estate sales grew by 8.1% from Php7.6 billion to Php8.2 billion, driven by a 23% increase in the booked sales of PCFI. Together, the two property developers reported a net income of Php1.1 billion in the first half of 2018.

Consolidated assets of the property companies slightly grew by 11.0% from Php115.7 billion as of December 31, 2017 to Php128.4 billion as of June 30, 2018. For Federal Land, the growth in total assets was due to increases in installment contract receivables from real estate sales and investments in joint venture projects. For PCFI, total assets grew due to an increase in inventories from on-going projects



and house construction, and acquisition of additional land bank offset by an increase in receivables takeout by the banks.

For the first half of 2018, Federal Land's gross reservation sales reached Php6.0 billion. This was complemented by the launching of three (3) new projects namely: (1) Peninsula Garden Midtown Homes Tower 8 – Mimosa, located in Paco, Manila, (2) Palm Beach West Tower 4 – Baler, located in Macapagal Boulevard, Pasay City, and (3) Florida Sun Estates – Orlando, General Trias, Cavite.

Pipeline activities for Federal Land continue with the development works proceeding for Sunshine Fort, a joint venture project with Nomura Real Estate Development Co. Ltd. and Isetan Mitsukoshi. On the other hand, PCFI grew its reservation sales by 14% from Php11.3 billion in the first half of 2017 to Php12.9 billion in the first half of 2018 driven by continued strong demand for affordable housing.

As of June 30, 2018, commercial and retail establishments in PCFI's flagship project, Lancaster New City (LNC), reached an aggregate of 65 outlets. Shopwise is scheduled to open its branch in LNC within the second half of 2018.

### **Life and Non-Life Insurance**

#### **Philippine AXA Life Insurance Corporation and Subsidiary (AXA Philippines)**

The following are the major performance measures used by AXA Philippines and Subsidiary for the first half of 2017 and 2018.

In Million Pesos, except ratios	Consolidated			
	1H 2017	1H 2018	Inc (Dec)	%
Gross Premiums	14,204.9	19,328.4	5,123.5	36.1%
Net income after tax	995.6	1,339.3	343.7	34.5%
	FY 2017	1H 2018	Inc (Dec)	%
Total Assets	123,424.7	124,132.2	707.5	0.6%
Total Liabilities	116,397.2	115,601.6	(795.6)	-0.7%
Total Equity	7,027.5	8,530.6	1,503.1	21.4%
In Million Pesos, except ratios	Life (Stand-alone)			
	1H 2017	1H 2018	Inc (Dec)	%
Gross Premiums	11,698.9	16,502.3	4,803.4	41.1%
Net income after tax	967.9	1,286.3	318.4	32.9%
Premium margin <sup>1</sup>	22.5%	23.6%		
	FY 2017	1H 2018	Inc (Dec)	%
Total Assets	114,378.6	113,334.4	(1,044.2)	-0.9%
Total Liabilities	106,814.5	104,249.7	(2,564.8)	-2.4%
Total Equity	7,564.2	9,084.6	1,520.4	20.1%
Solvency ratio <sup>2</sup>	341%	321%		

Notes:

- (1) Premium margin (%) is the ratio of Premium margin over Premium Revenues.
- (2) Solvency ratio is calculated as the insurance company's net worth divided by the Risk-based Capital (RBC) requirement of the Insurance Commission based on Memorandum Circular (IMC) No. 6-2006. Net worth shall include the company's paid-up capital, contributed and contingency surplus, and unassigned surplus.

New business from life insurance expressed in Annualized Premium Equivalent grew by 27.5% from Php3.0 billion for the first half of 2017 to Php3.8 billion for the first half of 2018. Such was driven by the growth in Regular and Single Premium of 19.9% and 57.9%, respectively. The significant growth in Single Premium was driven by favorable market conditions, especially in the first two months of 2018. The reported premium revenue mix of life insurance changed to 57%/43% for the first half of 2018 from the previous 51%/49% in 2017 (Single Premium vs. Regular Premium). By distribution platform, bancassurance and sales agency accounted for 72% and 28% of premium revenues, respectively.

Gross written premiums of CPAIC amounted to Php2.7 billion for the first half of 2018, which included motor premiums with 11.4% growth that accounted for 47% of the total.

Consolidated net income for the period grew by 34.5% from Php995.6 million in the first half of 2017 to Php1.3 billion in the first half of 2018. Consolidated net income included Php52.9 million net income from CPAIC arising from higher premium spillovers from last year Php301M, partially offset by fire losses in the first half of 2018 amounting to Php181.0 million, net of reinsurance. Excluding CPAIC, AXA Philippines grew its net income by 32.9% from Php967.9 million for the first half of 2017 to Php1.3 billion for the first half of 2018. The growth was primarily driven by the: (1) improvement in the life sector's premium margins by Php1.3 billion or 47.9% and (2) increase in asset management fees by 21.4% reaching Php864.5 million.

## **Infrastructure and Utilities**

### **Metro Pacific Investments Corporation (MPIC)**

	<b>In Million Pesos, except for Percentage</b>			
	<b>1H 2017</b>	<b>1H 2018</b>	<b>Inc (Dec)</b>	<b>%</b>
Core net income	8,600	7,800	800	10%
Net income attributable to equity holders	8,941	7,821	1,120	14%
	<b>FY 2017</b>	<b>1H 2018</b>	<b>Inc (Dec)</b>	<b>%</b>
Total assets	503,751	513,721	9,970	2%
Total liabilities	288,072	287,840	(232)	-0.1%
Total equity attributable to owners of Parent Company	161,244	167,825	6,581	4%

For the first half of 2018, MPIC's share in the consolidated operating core income increased by 11% from Php9.6 billion for the first half of 2017 to Php10.6 billion for the first half of 2018, primarily reflecting the following:

- Expanded power portfolio through the increase in effective shareholding in Manila Electric Company (Meralco) on June 27, 2017 from 41.22% to 45.47% and in Global Business Power Corporation (GBPC) from 47.78% to 62.48%; Core net income contribution from Meralco and GBPC to MPIC for the first half of 2018 was Php5.8 billion



- Higher share in the Tollway business arising from robust traffic growth on domestic toll roads held by Metro Pacific Tollways Corporation (MPTC); Core net income contribution of MPTC to MPIC was Php2.3billion
- Steady volume growth in the Water business coupled with inflationary tariff increase; Core net income contribution of Maynilad Water Service Inc. (Maynilad) to MPIC was Php2.1 billion
- Continuing growth in the Hospital group mainly due to the increase in number of patients served across all hospitals and contribution from new hospital acquisition namely, St. Elizabeth Hospital (acquired in October 2017); Core net income contribution of the group to MPIC was Php338 million.

Reported net income attributable to equity holders grew by 14% from Php7.8 billion in the first half of 2017 to Php8.9 billion in the first half of 2018. Excluding head office, interest, forex and non-recurring income or expenses, core income grew by 10% from Php7.8 billion to Php8.6 billion.

Except for (ii), (iv) and (vii), the Company does not know of:

- (i) Any known trends or any known demands, commitments, events, uncertainties that will result or that are reasonably likely in the Company's liquidity increasing or decreasing in any material way;
- (ii) Any events that would trigger direct or contingent financial obligation (including contingent obligation) that is material to the Company, including any default or acceleration of an obligation except those disclosed in the notes to the financial statements;
- (iii) Any material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;
- (iv) Any material commitments for capital expenditures, their purpose and sources of funds for such expenditures, except those discussed in the 2017 17A;
- (v) Any known trends, events or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
- (vi) Any significant elements of income or loss that did not arise from the Company's continuing operations;
- (vii) The causes of any material change from period to period including vertical and horizontal analysis of any material item, the causes of material changes are discussed in the Item 2, Management's Discussion & Analysis of Financial Condition and Results of operations under Part I - Financial Information ; and
- (viii) Any seasonal aspects that had a material effect on financial condition or results of operation of the Company.

**GT CAPITAL HOLDINGS, INC.  
AGING OF ACCOUNTS RECEIVABLE  
IN MILLION PESOS  
AS OF JUNE 30, 2018**

Number of Days	Amount
Less than 30 days	Php678
30 days to 60 days	754
61 days to 90 days	301
91 days to 120 days	134
Over 120 days	231
<b>Current</b>	<b>19,203</b>
<b>Impaired</b>	<b>92</b>
<b>Noncurrent receivables</b>	<b>8,911</b>
<b>Total</b>	<b>Php30,304</b>

**PART II – OTHER INFORMATION**

I. Control of Registrant

The following stockholders own more than 5% of the total issued and outstanding common shares of the Company as of June 30, 2018:

Name Of Stockholder	Total Number Of Shares Held	Percent To Total Number Of Shares Issued
Grand Titan Capital Holdings, Inc.	107,723,795	55.932%
PCD Nominee-Non Filipino	60,530,687	31.429%
PCD Nominee-Filipino	23,737,816	12.325%

II. Board Resolutions

There is no material disclosure that have not been reported under SEC Form 17-C during the period covered by this report.

**SIGNATURES**

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

Issuer: **GT Capital Holdings, Inc.**

Signature and Title:

  
**Reyna Rose P. Manon-og**  
Head, Accounting and  
Financial Control

  
**Francisco H. Suarez, Jr.**  
Chief Finance Officer

Date: August 14, 2018



# GT Capital Holdings, Inc. and Subsidiaries

## **Interim Condensed Consolidated Financial Statements**

As of June 30, 2018 (Unaudited) and December 31, 2017 (Audited)  
and for the six-month periods ended June 30, 2018 and 2017  
(Unaudited)

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(In Millions)

	Unaudited June 30, 2018	Audited December 31, 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P13,678	P20,155
Cash - restricted	4,024	-
Short-term investments	1,815	1,666
Fair value through profit or loss investments	3,121	-
Available-for-sale investments	-	611
Receivables	21,301	24,374
Inventories	61,085	56,594
Due from related parties	178	166
Prepayments and other current assets	12,978	10,417
<b>Total Current Assets</b>	<b>118,180</b>	<b>113,983</b>
<b>Non Current Assets</b>		
Fair value through other comprehensive income/ Available-for-sale investments	8,528	2,103
Receivables – net of current portion	8,911	4,720
Land held for future development	18,306	18,278
Investment properties	17,271	17,392
Investments in associates and joint ventures	161,980	124,892
Property and equipment	12,783	11,671
Goodwill and intangible assets	12,988	13,012
Deferred tax assets	758	731
Other noncurrent assets	1,342	909
<b>Total Noncurrent Assets</b>	<b>242,867</b>	<b>193,708</b>
	<b>P361,047</b>	<b>P307,691</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables	P28,206	P25,983
Short term debt	26,387	6,033
Current portion of long-term debt	779	2,467
Current portion of liabilities on purchased properties	416	582
Customers' deposits	5,323	4,941
Dividends payable	294	589
Due to related parties	199	189
Income tax payable	680	777
Other current liabilities	490	1,229
<b>Total Current Liabilities</b>	<b>62,774</b>	<b>42,790</b>
<b>Noncurrent Liabilities</b>		
Long-term debt – net of current portion	84,210	57,021
Bonds payable	21,892	21,877
Liabilities on purchased properties - net of current portion	3,099	3,152
Pension liabilities	1,495	1,399
Deferred tax liabilities	5,547	5,594
Other noncurrent liabilities	2,363	2,167
<b>Total Noncurrent Liabilities</b>	<b>118,606</b>	<b>91,210</b>
	<b>181,380</b>	<b>134,000</b>

(forward)

	Unaudited June 30, 2018	Audited December 31, 2017
<b>EQUITY</b>		
Equity attributable to equity holders of the Parent Company		
Capital stock	P3,143	P3,143
Additional paid-in capital	78,940	78,940
Stock dividend distributable	6,721	-
Retained earnings		
Unappropriated	65,478	48,582
Appropriated	-	19,000
Other comprehensive loss	(1,092)	(5,975)
Other equity adjustments	2,322	2,322
	155,512	146,012
Non-controlling interest	24,155	27,679
<b>Total Equity</b>	<b>179,667</b>	<b>173,691</b>
	<b>P361,047</b>	<b>P307,691</b>



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(In Millions, Except Earnings Per Share)

	UNAUDITED			
	January to June		April to June	
	2018	2017	2018	2017
<b>REVENUE</b>				
Automotive operations	<b>₱84,979</b>	₱94,289	<b>₱47,126</b>	₱51,444
Real estate sales and interest income on real estate sales	<b>7,967</b>	7,557	<b>4,367</b>	4,670
Equity in net income of associates and joint ventures	<b>5,870</b>	4,409	<b>2,988</b>	2,305
Rent income	<b>594</b>	454	<b>316</b>	233
Interest income	<b>455</b>	403	<b>228</b>	190
Sale of goods and services	<b>376</b>	248	<b>196</b>	94
Commission income	<b>27</b>	30	<b>14</b>	24
Other income	<b>899</b>	788	<b>479</b>	468
	<b>101,167</b>	108,178	<b>55,714</b>	59,428
<b>COST AND EXPENSES</b>				
Cost of goods and services sold	<b>60,594</b>	63,686	<b>35,016</b>	35,048
Cost of goods manufactured	<b>15,413</b>	19,664	<b>7,525</b>	9,940
General and administrative expenses	<b>6,464</b>	5,579	<b>3,593</b>	3,072
Cost of real estate sales	<b>4,818</b>	4,576	<b>2,577</b>	2,783
Interest expense	<b>2,231</b>	1,616	<b>1,336</b>	818
Cost of rental	<b>230</b>	147	<b>126</b>	66
	<b>89,750</b>	95,268	<b>50,173</b>	51,727
<b>INCOME BEFORE INCOME TAXES</b>	<b>11,417</b>	12,910	<b>5,541</b>	7,701
<b>PROVISION FOR INCOME TAX</b>	<b>1,784</b>	2,145	<b>928</b>	1,435
<b>NET INCOME</b>	<b>₱9,633</b>	₱10,765	<b>₱4,613</b>	₱6,266
ATTRIBUTABLE TO:				
Equity holders of the parent company	<b>7,141</b>	7,237	<b>3,404</b>	4,136
Non-controlling interest	<b>2,492</b>	3,528	<b>1,209</b>	2,130
	<b>₱9,633</b>	₱10,765	<b>₱4,613</b>	₱6,266
<b>Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company</b>	<b>₱35.55</b>	₱38.36		

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In Millions)

	UNAUDITED			
	January to June		April to June	
	2018	2017	2018	2017
<b>NET INCOME</b>	<b>P9,633</b>	<b>P10,765</b>	<b>P4,613</b>	<b>P6,266</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Changes in fair value of FVOCI/AFS investments	(310)	6	(320)	(769)
Changes in cumulative translation adjustments	23	2	9	2
Changes in cash flow hedge reserves	180	-	15	-
Equity in other comprehensive income of associates:				
Changes in fair value of FVOCI/AFS investments	(783)	828	(285)	403
Cash flow hedge reserves	77	4	67	9
Remeasurement on life insurance reserves	183	-	49	-
Other equity adjustments	41	-	-	-
Translation adjustment	263	183	(76)	104
	<b>(326)</b>	<b>1,023</b>	<b>(541)</b>	<b>(251)</b>
<i>Items that may not be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement of defined benefit plans	2	(120)	(1)	1,097
Equity in remeasurement of defined benefit plans of associates	(175)	(53)	(158)	-
Income tax effect	52	52	48	(329)
	<b>(121)</b>	<b>(121)</b>	<b>(111)</b>	<b>768</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	<b>(447)</b>	<b>902</b>	<b>(652)</b>	<b>517</b>
<b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>	<b>P9,186</b>	<b>P11,667</b>	<b>P3,961</b>	<b>P6,783</b>
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the GT Capital Holdings, Inc.	6,581	8,176	2,732	4,652
Non-controlling interest	2,605	3,491	1,229	2,131
	<b>P9,186</b>	<b>P11,667</b>	<b>P3,961</b>	<b>P6,783</b>

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
AS OF JUNE 30, 2018 AND 2017 (UNAUDITED)**

(In Millions)

	Equity Attributable to Equity Holders of the Parent Company							Total	Non-controlling Interests	Total
	Capital Stock	Additional Paid-in Capital	Stock Dividend Distributable	Unappropriated Retained Earnings	Appropriated Retained Earnings	Other Comprehensive Income (Loss)	Other Equity Adjustment			
<b>At January 1, 2018</b>	<b>₱3,143</b>	<b>₱78,940</b>	–	<b>₱48,582</b>	<b>₱19,000</b>	<b>(₱5,975)</b>	<b>₱2,322</b>	<b>₱146,012</b>	<b>₱27,679</b>	<b>₱173,691</b>
Effect of PFRS 9 adoption	–	–	–	(1,946)	–	5,443	–	3,497	–	3,497
<b>At January 1, 2018, as restated</b>	<b>3,143</b>	<b>78,940</b>	–	<b>46,636</b>	<b>19,000</b>	<b>(532)</b>	<b>2,322</b>	<b>149,509</b>	<b>27,679</b>	<b>177,188</b>
Total comprehensive income	–	–	–	7,141	–	(560)	–	6,581	2,605	9,186
Dividends declared	–	–	–	(578)	–	–	–	(578)	(6,174)	(6,752)
Stock Dividend Distributable	–	–	6,721	(6,721)	–	–	–	–	–	–
Reversal of appropriation	–	–	–	19,000	(19,000)	–	–	–	–	–
NCI on additional stock issuance of a subsidiary	–	–	–	–	–	–	–	–	45	45
<b>At June 30, 2018</b>	<b>₱3,143</b>	<b>₱78,940</b>	<b>₱6,721</b>	<b>₱65,478</b>	<b>₱–</b>	<b>(₱1,092)</b>	<b>₱2,322</b>	<b>₱155,512</b>	<b>₱24,155</b>	<b>₱179,667</b>

	Equity Attributable to Equity Holders of the Parent Company							Total	Non-controlling Interests	Total
	Capital Stock	Additional Paid-in Capital	Stock Dividend Distributable	Unappropriated Retained Earnings	Appropriated Retained Earnings	Other Comprehensive Income (Loss)	Other Equity Adjustment			
<b>At January 1, 2017</b>	<b>₱2,960</b>	<b>₱57,437</b>	–	<b>₱39,961</b>	<b>₱14,900</b>	<b>(₱2,775)</b>	<b>₱2,322</b>	<b>₱114,805</b>	<b>₱26,433</b>	<b>₱141,238</b>
Issuance of capital stock	183	21,503	–	–	–	–	–	21,686	–	21,686
Total comprehensive income	–	–	–	7,237	–	939	–	8,176	3,491	11,667
Dividends declared	–	–	–	(872)	–	–	–	(872)	(5,694)	(6,566)
Acquisition of additional TMBC shares	–	–	–	–	–	–	–	–	(1)	(1)
Reversal of appropriation	–	–	–	14,900	(14,900)	–	–	–	–	–
<b>At June 30, 2017</b>	<b>₱3,143</b>	<b>₱78,940</b>	<b>₱–</b>	<b>₱61,226</b>	<b>₱–</b>	<b>(₱1,836)</b>	<b>₱2,322</b>	<b>₱143,795</b>	<b>₱24,229</b>	<b>₱168,024</b>



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In Millions)

	Unaudited	
	For the Six Months Ended June 30	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	P11,417	P12,910
Adjustments for:		
Interest expense	2,231	1,616
Depreciation and amortization	894	847
Dividend income	(5)	–
Gain on FVTPL investments	(9)	–
Provision for impairment losses	–	2
Pension expense	35	112
Gain on disposal of property and equipment	(14)	(13)
Unrealized foreign exchange losses (gain)	132	9
Interest income	(1,137)	(1,039)
Equity in net income of associates and joint ventures	(5,870)	(4,409)
Operating income before changes in working capital	7,674	10,035
Decrease (increase) in:		
Cash-restricted	(4,067)	–
Short-term investments	(149)	1,097
Receivables	(1,016)	(1,255)
Due from related parties	(12)	15
Inventories	(4,388)	(3,263)
Land held for future development	(28)	(993)
Prepayments and other current assets	(2,561)	(704)
Increase (decrease) in:		
Accounts and other payables	2,140	5,248
Customers' deposits	382	(595)
Due to related parties	10	–
Other current liabilities	(739)	(79)
Cash provided by operations	(2,754)	9,506
Interest received	1,061	1,095
Interest paid	(1,966)	(1,642)
Contributions to pension plan	60	–
Dividends received	1,516	1,180
Dividends paid	(7,047)	(6,860)
Income taxes paid	(2,016)	(1,333)
Net cash (used in) provided by operating activities	(11,146)	1,946
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of:		
Property and equipment	32	50
Sale of AFS investments	494	2,022
Additions to:		
FVTPL investments	(3,000)	–
Property and equipment	(1,908)	(1,071)
Investments in associates and joint ventures	(29,705)	(25,969)
Available-for-sale investments	(6,735)	(1,746)
Intangible assets	(33)	(150)
Investment properties	(41)	(191)
Decrease (increase) in other noncurrent asset	(370)	(184)
Net cash used in investing activities	(41,266)	(27,239)

(Forward)

	Unaudited	
	For the Six Months Ended June 30	
	2018	2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan availment	P52,859	P6,514
Proceeds from issuance of capital stock	-	21,686
Payment of loans payable	(7,207)	(9,171)
Payment of liabilities on purchased properties	(220)	(94)
Increase (decrease) in:		
Due to related parties	-	(3)
Other noncurrent liabilities	590	75
Acquisition of noncontrolling interests	45	(1)
Net cash provided by financing activities	46,067	19,006
Effect of exchange rate changes on cash and cash equivalents	(132)	(9)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,477)</b>	<b>(6,296)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>20,155</b>	<b>20,954</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P13,678</b>	<b>P14,658</b>

## **GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

### **GENERAL NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information**

GT Capital Holdings, Inc. (the Parent Company) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on July 26, 2007. The primary purpose of the Parent Company is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop or otherwise dispose of real property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned.

The common shares of the Parent Company were listed beginning April 20, 2012 and have since been traded in the Philippine Stock Exchange, Inc. (PSE).

The ultimate parent of GT Capital Holdings, Inc. is Grand Titan Capital Holdings, Inc. (Grand Titan).

#### Group Activities

The Parent Company, Federal Land, Inc. (Federal Land) and Subsidiaries (Federal Land Group), Toyota Motor Philippines Corporation (Toyota or TMPC) and Subsidiaries (Toyota Group), Property Company of Friends, Inc. (PCFI) and Subsidiaries (PCFI Group), Toyota Manila Bay Corp. (TMBC) and Subsidiary (TMBC Group) and GT Capital Auto Dealership Holdings, Inc. (GTCAD) and Subsidiary are collectively referred herein as the "Group". The Parent Company, the holding company of the Federal Land Group (real estate business), Toyota Group (automotive business), PCFI Group (real estate business), TMBC Group (automotive business) and GTCAD (automotive business) is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations.

The principal business interests of the Federal Land Group and PCFI Group are real estate development and leasing and selling properties and acting as a marketing agent for and in behalf of any real estate development company or companies. The Federal Land Group is also engaged in the business of trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintaining a petroleum service station and food and restaurant service.

Toyota Group is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of motor vehicles including vehicle parts, accessories and instruments.

TMBC Group is engaged in purchasing, trading, exchanging, distributing, marketing, repairing and servicing automobiles, trucks and all kinds of motor vehicles and automobile products of every kind and description, motor vehicle parts, accessories, tools and supplies and equipment items.

The principal business interests of GTCAD are to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop, or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any auto dealership or other corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned.



The Parent Company also has significant shareholdings in Metropolitan Bank & Trust Company (MBTC or Metrobank), Metro Pacific Investments Corporation (MPIC), Philippine AXA Life Insurance Corporation (AXA Philippines or Phil AXA), Toyota Financial Services Philippines Corporation (TFSPC) and Sumisho Motor Finance Corporation (SMFC).

The registered office address of the Parent Company is at the 43rd Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa Street, 1227 Makati City.

## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The accompanying interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34 Interim Financial Reporting. Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Group's annual audited financial statements as at December 31, 2017.

The interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis except for fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) or available-for-sale (AFS) investments, which have been measured at fair value. The Group's interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All values are rounded to the nearest million pesos (₱000,000) unless otherwise indicated.

### Presentation of Financial Statements

Financial assets and financial liabilities are offset and the net amount reported in the interim condensed consolidated statements of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense are not offset in the interim condensed consolidated statements of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

### Basis of Consolidation

The interim condensed consolidated financial statements of the Group comprise the financial statements of the Parent Company and the following domestic subsidiaries:

	Country of Incorporation	Percentages of Ownership	
		June 30, 2018	December 31, 2017
Federal Land and Subsidiaries	Philippines	<b>100.00</b>	100.00
PCFI and Subsidiaries	-do-	<b>51.00</b>	51.00
Toyota and Subsidiaries	-do-	<b>51.00</b>	51.00
TMBC and Subsidiaries	-do-	<b>58.10</b>	58.10
GTCAD and Subsidiary	-do-	<b>100.00</b>	100.00

### Federal Land's Subsidiaries

	Percentage of Ownership
Horizon Land Property and Development Corp. (HLPDC)	100.00
Omni - Orient Management Corp. (OOMC)	100.00
Federal Land Orix Corporation (FLOC)	100.00
Topsphere Realty Development Co., Inc. (TRDCI)*	100.00
Bonifacio Landmark Hotel Management Corporation (BLHMC)**	100.00
Fed South Dragon Corporation (FSDC)***	100.00
Central Realty and Development Corp. (CRDC)	75.80
Federal Brent Retail, Inc. (FBRI)	51.66

\* On February 10, 2017, Federal Land obtained control over TRDCI upon execution of the Deed of Absolute Sale for the purchase of 3,000,000 preferred and 2,000,000 common shares of stock of TRDCI for a total consideration of ₱60.00 million.

\*\* On July 21, 2017, BLHMC was incorporated and has not started its commercial business operations.

\*\*\* On June 6, 2018, FSDC was incorporated and has not started its commercial business operations.

### PCFI's Subsidiaries

	Percentage of Ownership
Micara Land, Inc. (MLI)	100.00
Firm Builders Realty Development Corporation (FBRDC)	100.00
Marcan Development Corporation (MDC)	100.00
Camarillo Development Corporation (CDC)	100.00
Branchton Development Corporation (BDC)	100.00
Williamton Financing Corporation (WFC)	100.00

### Toyota's Subsidiaries

	Percentage of Ownership
Toyota Makati, Inc. (TMI)	100.00
Toyota Sta. Rosa Laguna, Inc. (TSRLI)	100.00
Toyota Motor Philippines Logistics, Inc. (TLI)	100.00
Lexus Manila, Inc. (LMI)	75.00
Toyota San Fernando Pampanga, Inc. (TSFI)	55.00

### TMBC's Subsidiaries

	Percentage of Ownership
Oxfordshire Holdings, Inc. (OHI)	100.00
TMBC Insurance Agency Corporation (TIAC)	100.00

### GTCAD's Subsidiary

GTCAD has 55% ownership in Toyota Subic, Inc. (TSI). TSI was incorporated on July 14, 2016 and has not started commercial business operations.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Parent Company.



Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intragroup transactions, balances, income and expenses resulting from intragroup transactions and dividends are eliminated in full on consolidation.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not attributed, directly or indirectly, to the Parent Company. The interest of non-controlling shareholders may be initially measured at fair value or share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, NCI consists of the amount attributed to such interests at initial recognition and the NCI's share of changes in equity since the date of combination.

NCI are presented separately in the interim condensed consolidated statements of income, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and within equity in the interim condensed consolidated statements of financial position, separately from the Parent Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if that results in the NCI having a deficit balance.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences, recorded in equity;
- recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

#### Business Combinations Involving Entities Under Common Control

A business combination involving entities under common control is accounted for using the uniting of interest method, except when the acquisition is deemed to have commercial substance for the Group, in which case the business combination is accounted for under the acquisition method. The combined entities accounted for by the uniting of interests method reports the results of operations for the period in which the combination occurs as though the entities had been combined as of the beginning of the period. Financial statements of the separate entities presented for prior years are also restated on a combined basis to provide comparative information. The effects of intercompany transactions on assets, liabilities, revenues, and expenses for the periods presented, and on retained earnings at the beginning of the periods presented are eliminated to the extent possible.



Under the uniting of interest method, the acquirer accounts for the combination as follows:

- the assets and liabilities of the acquiree are consolidated using the existing carrying values instead of fair values;
- intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the acquiree in accordance with applicable PFRS;
- no amount is recognized as goodwill;
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities; and
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

The acquiree's equity are included in the opening balances of the equity as a restatement and are presented as 'Effect of uniting of interest' in the interim condensed consolidated statements of changes in equity. Cash considerations transferred on acquisition of a subsidiary under common control are deducted in the 'Retained earnings' at the time of business combination.

When evaluating whether an acquisition has commercial substance, the Group considers the following factors, among others:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as NCI or other third parties; and
- whether or not the transaction is conducted at fair value.

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer elects whether to measure the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the date of acquisition. Acquisition-related costs are expensed and included in the interim condensed consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and liabilities of the acquiree for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. The Group also assesses whether assets or liabilities of the acquiree that are previously unrecognized in the books of the acquiree will require separate recognition in the interim condensed consolidated financial statements of the Group at the acquisition date.

In a business combination achieved in stages, the Group remeasures its previously-held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in the interim condensed consolidated statements of income. Any recognized changes in the value of its equity interest in the acquiree previously recognized in other comprehensive income are recognized by the Group in profit or loss, as if the previously-held equity interests are disposed of.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized either in the interim condensed

consolidated statements of income or as changes to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that if known, would have affected the amounts recognized as at that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one (1) year.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount recognized for any NCI in the acquiree and the fair value of the acquirer's previously-held interest, if any, over the fair value of the net assets acquired.

If after reassessment, the fair value of the net assets acquired exceeds the consideration transferred, the amount recognized for any NCI in the acquiree and the fair value of the acquirer's previously-held interest, if any, the difference is recognized immediately in the interim condensed consolidated statements of income as 'Gain on bargain purchase'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment loss is recognized immediately in the interim condensed consolidated statements of income and is not subsequently reversed. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination from the acquisition date irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is not amortized but is reviewed for impairment at least annually. Any impairment losses are recognized immediately in profit or loss and is not subsequently reversed.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

#### Change in Ownership without Loss of Control

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling interest and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.



### Changes in Accounting Policies

The accounting policies adopted in preparation of the interim condensed consolidated financial statements are consistent with those of the previous year except for the following new and amended Philippine Financial Reporting Standards (PFRS) and PAS which were adopted as of January 1, 2018.

Except as otherwise indicated, the following new and amended standards did not have a material impact on the accounting policies, financial position or performance of the Group.

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

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

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

The Group continues to assess the impact of adopting the amendments.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group continues to assess the impact of this standard.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.



The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's credit losses. The Group continues to assess the impact of this standard.

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

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

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

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

## **Significant Accounting Policies**

### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value.

### Fair Value Measurement

The Group measures financial instruments, such as FVOCI/AFS investments, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Financial Instruments - Initial Recognition and Subsequent Measurement

##### *Date of recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell assets.

##### *Initial recognition of financial instruments*

All financial assets are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVTPL), the initial measurement of financial assets and financial liabilities includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVTPL, held-to-collect (HTC) investments, FVOCI/AFS investments, and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVTPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of June 30, 2018 and December 31, 2017, the Group has no HTC investments. The Group's financial instruments include FVTPL investments, loans and receivables, FVOCI/AFS investments, financial liabilities at FVTPL and other financial liabilities.



#### *Determination of fair value*

The fair value for financial instruments traded in active markets as at the reporting date is based on their quoted market prices or dealer price quotations (bid price for long positions and asking price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates.

#### *'Day 1' difference*

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statements of income under 'Interest income' and 'Interest expense' accounts unless it qualifies for recognition as some other type of asset or liability. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as FVOCI/AFS investments or financial assets at FVTPL. This accounting policy relates to the accounts in the consolidated statements of financial position 'Receivables', 'Due from related parties' and 'Cash and cash equivalents'.

Receivables are recognized initially at fair value which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'Interest income' in the consolidated statements of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statements of income.

#### *Derivative Financial Instrument and Hedge Accounting*

The Group uses derivative financial instruments such as cross currency interest rate swap to hedge its foreign currency and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from the changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized as OCI.



For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk);
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedge item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

#### *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognized directly as OCI in the cash flow hedge reserve, while the ineffective portion is recognized directly in profit or loss.

Amounts recognized as OCI are transferred to profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in OCI are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in OCI remains in OCI until the forecast transaction or firm commitment affects profit or loss. If the related transaction is not expected to occur, the amount is taken to profit or loss.

#### *FVOCI/AFS investments*

AFS investments are those which are designated as such or do not qualify to be classified as designated at FVTPL, HTC investments, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group's AFS investments pertain to quoted and unquoted equity securities and other debt instruments.

After initial recognition, AFS investments are measured at fair value with gains or losses recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously included in equity are included in the consolidated statements of income. Dividends on AFS equity instruments are recognized in the consolidated statements of income when the entity's right to receive payment has been established. Interest earned on holding AFS debt instruments are reported in the consolidated statements of income as 'Interest income' using the effective interest method.

The fair value of investments that are traded in active markets is determined by reference to quoted market bid prices at the close of business on the reporting date. The unquoted equity instruments are carried at cost less any impairment losses because fair value cannot be measured reliably due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

#### FVTPL investments

##### *Investments in UITF*

UITFs are ready-made investments that allow the pooling of funds from different investors with similar investment objectives. These UITFs are managed by professional fund managers and may be invested in various financial instruments such as money market securities, bonds and equities, which are normally available to large investors only. A UITF uses the mark-to-market method in valuing the fund's securities. It is a valuation method which calculates the Net Asset Value (NAV) based on the estimated fair market value of the assets of the fund based on prices supplied by independent sources. They do not meet the PFRS 9 criteria for classification at amortized cost, because their cash flows do not represent solely payments of principal and interest. Hence, these financial assets were reclassified to financial assets at FVTPL.

##### *Other financial liabilities*

These are financial liabilities not designated at FVTPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Group's 'Accounts and other payables', 'Short-term debt', 'Long-term debt', 'Liabilities on purchased properties', 'Due to related parties' and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable). The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument, as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

#### Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### *Loans and receivables*

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.



If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statements of income. Interest income continues to be recognized based on the original EIR of the asset.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as past due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income, to the extent that the carrying value of the asset does not exceed its amortized cost as at the reversal date.

#### *FVOCI/AFS investments*

For AFS investments, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity instruments classified as FVOCI/AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income, is removed from the statements of changes in equity and recognized in the consolidated statements of income. Impairment losses on equity instruments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in the consolidated statements of comprehensive income.

In the case of debt instruments classified as FVOCI/AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount



future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as 'Interest income' in the consolidated statements of income. If, in the subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statements of income.

#### Derecognition of Financial Assets and Liabilities

##### *Financial asset*

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- a. the rights to receive cash flows from the asset have expired;
- b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- c. the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### *Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of income.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the consolidated statements of financial position.

#### Standards Issued But Not Yet Effective

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

*Effective beginning on or after January 1, 2019*

#### *New Standards*

##### *PFRS 16, Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

#### *Amendments*

##### *Amendments to PFRS 9, Prepayment Features with Negative Compensation*

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

##### *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

##### *Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments*

Philippine Interpretation IFRIC 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.



*PAS 19, Plan Amendment, Curtailment or Settlement*

The amendment requires the current service cost and the net interest for the period after the remeasurement be determined using the assumptions used for the remeasurement if a plan amendment, curtailment or settlement occurs.

*Annual Improvements to PFRS 2015 to 2017 Cycle*

*PFRS 3 and PFRS 11 - Previously held interest in a joint operation*

The amendments clarify when an entity remeasures previously held interests in a business that is classified as a joint operation. If the entity obtains control, it remeasures previously held interests in that business. If the entity only obtains joint control, it does not remeasure previously held interests in that business.

*PAS 12 - Income tax consequences of payments on financial instruments classified as equity*

The amendments clarify that the requirement to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized apply to all income tax consequences of dividends.

*PAS 23 - Borrowing costs eligible for capitalization*

The amendments clarify that a specific borrowing that remains outstanding after the related asset is ready for its intended use becomes part of the general borrowings when calculating the capitalization rate on general borrowings.

*Subject to Board of Accountancy's Approval*

*PFRS 17, Insurance Contracts*

PFRS 17 provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and introduces consistent accounting for all insurance contracts based on a current measurement model. The standard is effective for annual periods beginning on or after January 1, 2021. Early application is permitted but only if the entity also applies PFRS 9 *Financial Instruments* and PFRS 15 *Revenue from Contracts with Customers*.

*Deferred effectivity*

Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

*Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation.

The Group is currently assessing the impact of adopting these new accounting standards, amendments and interpretation.



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### 3. Cash and cash equivalents and cash-restricted

This account consists of:

	June 30, 2018	June 30, 2017	December 31, 2017
Cash on hand	<b>₱100</b>	₱12	₱38
Cash equivalents	<b>10,052</b>	11,458	₱14,001
Cash in banks	<b>3,526</b>	3,188	6,116
	<b>13,678</b>	14,658	20,155
Cash - restricted	<b>4,024</b>	–	–
	<b>₱17,702</b>	₱14,658	₱20,155

Cash - restricted pertains to the cash earmarked for additional acquisition of shares of stock of Toyota Motor Corporation (TMC).

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### 4. Investments

#### Fair value through profit or loss (FVTPL) investments

This pertains to the Parent Company's investments in Unit Investment Trust Fund (UITF) as of June 30, 2018. Upon adoption of PFRS 9, effective January 1, 2018, investments in UITF were classified as FVTPL investments. Prior to this, investments in UITF were classified as AFS investments.

#### Fair value through other comprehensive income/Available-for-sale investments

In June 2018, the Parent Company acquired an aggregate of 1,955,300 common shares of TMC for an aggregate consideration of ¥13.89 billion, equivalent to ₱6.74 billion. Said investment was classified as fair value through other comprehensive income.

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### 5. Investment in associates and joint ventures

#### Investment in TFSPC

On March 26, 2018, the Parent Company remitted ₱720.00 million to TFSPC in response to the latter's equity call upon its stockholders.

#### Investment in SMFC

On August 11, 2017, the Parent Company acquired 4.0 million common shares, representing 20% ownership in SMFC for a total consideration of ₱379.92 million from Philippine Savings Bank and PS Bank Retirement Fund.

#### Investment in MBTC

In April 2018, the Parent Company exercised its stock rights and subscribed for additional shares which aggregated to 299.28 million shares for a total cost of Php22.45 billion. This increased the Parent Company's ownership in Metrobank from 36.09% to 36.36%.

On January 17, 2018, the BOD of Metrobank approved the entitlement of one (1) rights share for every 3.976 common shares held by eligible shareholders as of record date as of March 21, 2018. The offer price was Php75.00 per share and the offer period was from March 22, 2018 to April 4, 2018. As of March 21, 2018, the Parent Company held 1.15 billion shares and is entitled to 288.66 million shares.

On April 20, 2017, the Parent Company acquired a total of 306.00 million common shares of Metrobank from Ty-Family Companies for a total purchase price of ₱24.72 billion. On April 21, 2017, the Parent Company paid the purchase price in cash. This increased the Parent Company's ownership in Metrobank from 26.47% to 36.09%.

The following table summarizes cash dividends declared and paid by the Group's associates and joint ventures (amount in millions, except for dividend per share):

	<b>Declaration Date</b>	<b>Per Share</b>	<b>Total</b>	<b>Record Date</b>	<b>Payment Date</b>
2018					
MBTC	February 21, 2018	₱1.00	₱3,180	March 8, 2018	March 16, 2018
MPIC	March 1, 2018	0.076	2,395	March 28, 2018	April 26, 2018
2017					
MBTC	February 22, 2017	1.00	3,180	March 9, 2017	March 23, 2017
MPIC	March 1, 2017	0.068	2,143	March 30, 2017	April 26, 2017
MPIC	August 4, 2017	0.0345	1,087	September 1, 2017	September 26, 2017
Phil AXA	November 24, 2017	100.00	1,000	November 24, 2017	December 15, 2017

## 6. Business Combinations

2017

### Acquisition of TRDCI

On February 10, 2017, Federal Land acquired 100.00% interest in TRDCI from Solid Share Holdings Philippines, Inc.

The fair values of the net liabilities assumed as of acquisition date, are as follow:

Current assets	₱433
Current liabilities	(847)
Noncurrent assets	486
Noncurrent liabilities	(100)
Fair value of net liabilities assumed	(28)
Consideration paid in cash	60
Goodwill	₱88

The gross contractual amount of receivables acquired amounted to ₱44.60 million. The goodwill of ₱0.09 billion comprises the value of the expected synergies arising from having TRDCI within the Group. Goodwill is allocated entirely to the acquisition of TRDCI and none of the goodwill is expected to be deductible for income tax purposes.

## 7. Loans Payable and Bonds Payable

### Loans Payable

This account consists of:

	June 30, 2018					
	Short-term debt	Long-term debt			Subtotal	Total
		Corporate notes	Loans payable			
Parent Company	P10,754	P-	P50,000	P50,000	P60,754	
Federal Land Group	8,638	4,900	21,195	26,095	34,733	
PCFI	4,000	-	7,921	7,921	11,921	
Toyota Group	2,095	-	246	246	2,341	
TMBC	900	-	1,100	1,100	2,000	
	<b>26,387</b>	<b>4,900</b>	<b>80,462</b>	<b>85,362</b>	<b>111,749</b>	
Less: Deferred financing cost	-	-	373	373	373	
	<b>26,387</b>	<b>4,900</b>	<b>80,089</b>	<b>84,989</b>	<b>111,376</b>	
Less: Current portion of long-term debt	-	25	754	779	779	
	<b>P26,387</b>	<b>P4,875</b>	<b>P79,335</b>	<b>P84,210</b>	<b>P110,597</b>	

	December 31, 2017					
	Short-term debt	Long-term debt			Subtotal	Total
		Corporate notes	Loans payable			
Parent Company	P-	P-	P25,000	P25,000	P25,000	
Federal Land Group	1,243	4,900	17,945	22,845	24,088	
PCFI	1,250	-	10,474	10,474	11,724	
Toyota Group	2,710	-	246	246	2,956	
TMBC	830	-	1,100	1,100	1,930	
	<b>6,033</b>	<b>4,900</b>	<b>54,765</b>	<b>59,665</b>	<b>65,698</b>	
Less: Deferred financing cost	-	-	177	177	177	
	<b>6,033</b>	<b>4,900</b>	<b>54,588</b>	<b>59,488</b>	<b>65,521</b>	
Less: Current portion of long-term debt	-	25	2,442	2,467	2,467	
	<b>P6,033</b>	<b>P4,875</b>	<b>P52,146</b>	<b>P57,021</b>	<b>P63,054</b>	

### Short-term Loans

#### Parent Company Short-term Loans

On June 26, 2018, the Parent Company obtained a short-term loan with a term of less than 30 days from a non-affiliated foreign bank for a principal amount of ¥22.20 billion with an interest rate of 3-month JPY Libor plus 0.65% spread. As of June 30, 2018, the peso equivalent of the said loan is P10.75 billion. This was refinanced in July 2018 with a long-term loan from three (3) non-affiliated foreign banks for an aggregate principal amount of ¥23.31 billion which will mature in July 2024.

#### Federal Land Group Short-term Loans

These are unsecured short-term borrowings with over 60 to 180 day terms obtained from affiliated and non-affiliated local banks with an aggregate principal amount of P7.40 billion for Federal Land Group's working capital requirements with interest rates ranging from 3.10% to 4.60%.



#### PCFI Group Short-term Loans

In 2018, PCFI obtained short-term loans from various non-affiliated local banks with an aggregate amount of ₱2.75 billion. The said loans bear fixed interest rates ranging from 4.00% to 5.75% and have maturity dates of less than one year.

#### *Long-term Loans*

##### Parent Company Long-Term Loans

In March 2018, the Parent Company obtained long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱25.00 billion. Said loans bear fixed interest rates ranging from 6.50% to 7.25%, with various terms ranging from 10 to 12 years and maturity dates ranging from 2028 to 2030. As of June 30, 2018, the carrying value of these long-term loans payable amounted to ₱24.82 billion.

##### Federal Land Group Long-Term Loans

In 2018, Federal Land obtained long-term loans with a non-affiliated local bank with aggregate principal amount of ₱0.75 billion. Said loans will mature on September 2021 and bear fixed interest rates ranging from 6.67% to 6.71%.

On June 29, 2018, Federal Land obtained a 5-year loan from an affiliated bank with a principal amount of ₱2.50 billion and interest rate of 4.25% and will mature on June 29, 2023.

#### *Bonds payable*

This account consists of the following Peso Bonds:

Maturity Dates	Interest rate	Par Value	Carrying Value	
			June 30, 2018	December 31, 2017
<b>₱10.0 billion Bonds</b>				
February 27, 2020	4.8371%	₱3,900	<b>₱3,889</b>	₱ 3,886
February 27, 2023	5.0937%	6,100	<b>6,066</b>	6,062
		10,000	<b>9,955</b>	9,948
<b>₱12.0 billion Bonds</b>				
November 7, 2019	4.7106%	3,000	<b>2,991</b>	2,988
August 7, 2021	5.1965%	5,000	<b>4,974</b>	4,971
August 7, 2014	5.6250%	4,000	<b>3,972</b>	3,970
		12,000	<b>11,937</b>	11,929
<b>Balances at end of year</b>		<b>₱22,000</b>	<b>₱21,892</b>	<b>₱21,877</b>

Unamortized debt issuance costs on these notes amounted to ₱107.60 million and ₱122.67 million as of June 30, 2018 and December 31, 2017, respectively.

## 8. Equity

#### *Common Shares*

On April 20, 2017, the Parent Company and Grand Titan signed a subscription agreement for the subscription of 18.30 million common shares of the Parent for a total subscription price of ₱21.69 billion. On April 26, 2017, Grand Titan paid the subscription price in cash.

### Retained earnings

Details of the Parent Company's dividend distributions to preferred shareholders out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
<b>Voting preferred shares</b>				
March 16, 2018	₱0.00377	₱0.66	April 4, 2018	April 13, 2018
March 21, 2017	0.00377	0.66	April 4, 2017	April 20, 2017
March 10, 2016	0.00377	0.66	April 8, 2016	May 4, 2016
<b>Perpetual Preferred Shares</b>				
<b>Series A</b>				
December 7, 2017	11.57475	56.01	January 3, 2018	January 29, 2018
December 7, 2017	11.57475	56.01	April 3, 2018	April 27, 2018
December 7, 2017	11.57475	56.01	July 3, 2018	July 27, 2018
December 7, 2017	11.57475	56.01	October 3, 2018	October 29, 2018
December 15, 2016	11.5748	56.01	January 3, 2017	January 27, 2017
December 15, 2016	11.5748	56.01	March 30, 2017	April 27, 2017
December 15, 2016	11.5748	56.01	July 3, 2017	July 27, 2017
December 15, 2016	11.5748	56.01	October 3, 2017	October 27, 2017
<b>Series B</b>				
December 7, 2017	12.73725	91.21	January 3, 2018	January 29, 2018
December 7, 2017	12.73725	91.21	April 3, 2018	April 27, 2018
December 7, 2017	12.73725	91.21	July 3, 2018	July 27, 2018
December 7, 2017	12.73725	91.21	October 3, 2018	October 29, 2018
December 15, 2016	12.7373	91.21	January 3, 2017	January 27, 2017
December 15, 2016	12.7373	91.21	March 30, 2017	April 27, 2017
December 15, 2016	12.7373	91.21	July 3, 2017	July 27, 2017
December 15, 2016	12.7373	91.21	October 3, 2017	October 27, 2017

Details of the Parent Company's dividend distributions to common shareholders out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

Date of declaration	Per share	Total amount	Record date	Payment date
March 16, 2018	₱3.00	₱577.53	April 4, 2018	April 13, 2018
March 21, 2017	5.00	871.50	April 4, 2017	April 20, 2017
March 10, 2016	6.00	1,045.80	April 8, 2016	May 4, 2016

The BOD and Shareholders of the Parent Company approved on March 16, 2018 and May 9, 2018, respectively, the declaration of a 3.5% stock dividend in favor of the Parent Company's shareholders of common stock. The record and payment dates were set on July 9, 2018 and August 2, 2018, respectively.

On December 7, 2017, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱19.00 billion to be earmarked for strategic investment in financial services. Said appropriation was reversed in March 2018 upon completion of the purpose of appropriation.

On December 15, 2016, the BOD of the Parent Company approved the appropriation of retained earnings amounting to P15.50 billion to be earmarked for the following:

Project Name	Timeline	Amount
Strategic investment in Financial Services	2017	P13.90 billion
Dividends on Perpetual Preferred Shares	2017	0.60 billion
Dividends on Common Shares	2017	0.50 billion
Capital Call from TFSPC	2017	0.50 billion
		<b>P15.50 billion</b>

Appropriation of retained earnings amounting to P14.90 billion and P0.60 billion were reversed in 2017 and 2016, respectively, upon completion of the purpose of appropriation.

*Other comprehensive loss*

Other comprehensive loss consists of the following, net of applicable income taxes:

	June 30, 2018	June 30, 2017	December 31, 2017
Net unrealized gain on FVOCI/AFS investments	<b>P518</b>	P190	P841
Net unrealized loss on remeasurement of retirement plan	<b>(235)</b>	(265)	(236)
Cash flow hedge reserve	<b>78</b>	–	(14)
Cumulative translation adjustments	<b>10</b>	1	(2)
Equity in other comprehensive income of associates:			
Equity in net unrealized loss on FVOCI/AFS investments	<b>(7)</b>	(1,719)	(4,689)
Equity in net unrealized loss on remeasurement of retirement plan	<b>(1,109)</b>	(906)	(987)
Equity in cumulative translation adjustments	<b>(443)</b>	860	(705)
Equity in remeasurement on life insurance reserves	<b>(7)</b>	–	(190)
Equity in cash flow hedge reserves	<b>97</b>	16	20
Equity in other equity adjustments	<b>6</b>	(13)	(13)
	<b>(P1,092)</b>	(P1,836)	(P5,975)

The movements and analysis of the other comprehensive loss are presented in the consolidated statements of comprehensive income.



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## 9. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Group, in its regular conduct of its business, has entered into transactions with its associate and other related parties principally consisting of cash advances for reimbursement of expenses merger and acquisitions and capital infusion, leasing agreements, management agreements and dividends received from associates. Transactions with related parties are made at normal market prices.

As of June 30, 2018 and December 31, 2017, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

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## 10. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share attributable to equity holders of the Parent Company for the periods indicated were computed as follows:

	June 30, 2018	June 30, 2017	December 31, 2017
a) Net income attributable to equity holders of the Parent Company from continuing operations	<b>₱7,141</b>	₱7,237	₱14,182
b) Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company	<b>(295)</b>	(295)	(590)
c) Net income attributable to common shareholders of the Parent Company	<b>6,846</b>	6,942	13,592
d) Weighted average number of shares	<b>192.60</b>	180.97	186.83
Basic/diluted earnings per share (c / d)	<b>₱35.55</b>	₱38.36	₱72.76

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

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## 11. Operating Segments

### Segment Information

For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry;
- Power is engaged mainly in the generation and distribution of electricity;
- Automotive operations is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments; and
- Infrastructure is engaged in the water distribution, toll operation, power sector, hospitals and rail;
- Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments).

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, taxes and depreciation/amortization (EBITDA) and pretax income which are measured similarly under PFRS, except for EBITDA. EBITDA is computed by reconciling net interest income (expense) and provision for income taxes to the net income and adding back depreciation and amortization expenses for the period.

### Seasonality of Operations

The operations of the Group are not materially affected by seasonality, except for the mall leasing operations of the real estate segment which experiences higher revenues during the holiday seasons. This information is provided to allow for a proper appreciation of the results of the Group's operations. However, management concluded that the aforementioned discussions of seasonality do not constitute "highly seasonal" as considered in PAS 34.

### Segment Assets

Segment assets are resources owned by each of the operating segments that are employed in its operating activities.

### Segment Liabilities

Segment liabilities are obligations incurred by each of the operating segments from its operating activities.

The following tables present the financial information of the operating segments of the Group as of and for the six months ended June 30, 2018 and as of and for the year ended December 31, 2017:

	June 30, 2018					
	Real Estate	Financial Institution	Automotive Operations	Infras tructure	Others	Total
Revenue	P7,285	P-	P84,979	P-	P-	P92,264
Other income	1,301	-	536	-	59	1,896
Equity in net income of associates and joint ventures	(36)	4,516	-	1,390	-	5,870
	8,550	4,516	85,515	1,390	59	100,030
Cost of goods and services sold	319	-	60,275	-	-	60,594
Cost of goods manufactured and sold	-	-	15,413	-	-	15,413
Cost of rental	230	-	-	-	-	230
Cost of real estate sales	4,818	-	-	-	-	4,818
General and administrative expenses	2,478	-	3,870	-	116	6,464
	7,845	-	79,558	-	116	87,519
Earnings before interest and taxes	705	4,516	5,957	1,390	(57)	12,511
Depreciation and amortization	264	-	627	-	3	894
EBITDA	969	4,516	6,584	1,390	(54)	13,405
Interest income	887	-	223	-	27	1,137
Interest expense	(405)	-	(99)	-	(1,727)	(2,231)
Depreciation and amortization	(264)	-	(627)	-	(3)	(894)
Pretax income	1,187	4,516	6,081	1,390	(1,757)	11,417
Provision for income tax	(313)	-	(1,468)	-	(3)	(1,784)
Net income	P874	P4,516	P4,613	P1,390	(1,760)	P9,633
Segment assets	P138,105	P115,447	P53,953	P33,396	P20,146	P361,047
Segment liabilities	P69,296	P-	P29,189	P-	P82,895	P181,380

  

	December 31, 2017					
	Real Estate	Financial Institution	Automotive Operations	Infras tructure	Others	Total
Revenue	P14,092	P-	P211,692	P-	P-	P225,784
Other income	2,169	-	1,068	-	6	3,243
Equity in net income of associates and joint ventures	160	6,979	-	1,560	-	8,699
	16,421	6,979	212,760	1,560	6	237,726
Cost of goods and services sold	555	-	147,158	-	-	147,713
Cost of goods manufactured and sold	-	-	39,635	-	-	39,635
Cost of rental	360	-	-	-	-	360
Cost of real estate sales	10,035	-	-	-	-	10,035
General and administrative expenses	4,369	-	8,262	-	268	12,899
	15,319	-	195,055	-	268	210,642
Earnings before interest and taxes	1,102	6,979	17,705	1,560	(262)	27,084
Depreciation and amortization	476	-	1,283	-	6	1,765
EBITDA	1,578	6,979	18,988	1,560	(256)	28,849
Interest income	1,742	-	320	-	23	2,085
Interest expense	(595)	-	(189)	-	(2,610)	(3,394)
Depreciation and amortization	(476)	-	(1,283)	-	(6)	(1,765)
Pretax income	2,249	6,979	17,836	1,560	(2,849)	25,775
Provision for income tax	(544)	-	(3,975)	-	(5)	(4,524)
Net income	P1,705	P6,979	P13,861	P1,560	(P2,854)	P21,251
Segment assets	P125,480	P85,771	P61,835	P32,365	P2,240	P307,691
Segment liabilities	P57,244	P-	P29,178	P-	P47,578	P134,000



### Geographical Information

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	<b>June 30, 2018</b>	June 30, 2017	December 31, 2017
Domestic	<b>P97,067</b>	P104,331	P231,855
Foreign	<b>4,100</b>	3,847	7,956
	<b>P101,167</b>	P108,178	P239,811

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## 12. Financial Risk Management and Objectives

The Group's principal financial instruments are composed of cash and cash equivalents, short-term investments, receivables, due from related parties, AFS investments, accounts and other payables, due to/from related parties, loans payable and derivative asset.

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

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

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

### Credit risk

The Group's credit risks are primarily attributable to its financial assets. To manage credit risks, the Group maintains defined credit policies and monitors on a continuous basis its exposure to credit risks. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Financial assets comprise of cash and cash equivalents, receivables, due from related parties and AFS investments. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

*Maximum exposure to credit risk after taking into account collateral held or other credit enhancements*

As of June 30, 2018 and December 31, 2017, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable with nil exposure to credit risk since the fair value of the related collateral is greater than the carrying value of the installment contracts receivable.

Liquidity risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Group's businesses. To serve as back-up liquidity, management develops variable funding alternatives either by issuing debt or raising capital.

The table summarizes the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments:

	June 30, 2018 (Unaudited)			Total
	< 1 year	> 1 to < 5 years	> 5 years	
<b>Financial assets</b>				
Cash and cash equivalents*	<b>₱13,578</b>	<b>₱-</b>	<b>₱-</b>	<b>₱13,578</b>
Cash - restricted	4,024	-	-	4,024
Short-term investments	1,815	-	-	1,815
Receivables	27,604	9,734	424	37,762
Due from related parties	178	-	-	178
FVTPL investments				
Investments in UITF	3,121	-	-	3,121
FVOCI/AFS investments				
Equity securities				
Quoted	8,047	-	-	8,047
Unquoted	481	-	-	481
Other noncurrent assets				
Derivative asset	413	-	-	413
<b>Total undiscounted financial assets</b>	<b>₱59,261</b>	<b>₱9,734</b>	<b>₱424</b>	<b>₱69,419</b>
<b>Other financial liabilities</b>				
Accounts and other payables	25,346	1,076	-	26,422
Dividends payable	294	-	-	294
Loans payable	17,216	30,723	85,226	133,165
Bonds payable	1,126	20,757	4,248	26,131
Due to related parties	199	-	-	199
Liabilities on purchased properties	416	2,487	829	3,732
<b>Total undiscounted financial liabilities</b>	<b>₱44,597</b>	<b>₱55,043</b>	<b>₱90,303</b>	<b>₱189,943</b>
<b>Liquidity Gap</b>	<b>₱14,664</b>	<b>(₱45,309)</b>	<b>(₱89,879)</b>	<b>(₱120,524)</b>

\*excluding cash on hand

	December 31, 2017 (Audited)			Total
	< 1 year	> 1 to < 5 years	> 5 years	
<b>Financial assets</b>				
Cash and cash equivalents*	P20,117	P-	P-	P20,117
Short-term investments	1,666	-	-	1,666
Receivables	27,426	9,036	587	37,049
Due from related parties	166	-	-	166
<b>AFS investments</b>				
Equity securities				
Quoted	2,233	-	-	2,233
Unquoted	481	-	-	481
<b>Total undiscounted financial assets</b>	<b>P52,089</b>	<b>P9,036</b>	<b>P587</b>	<b>P61,712</b>
<b>Other financial liabilities</b>				
Accounts and other payables	23,594	917	-	24,511
Dividends payable	589	-	-	589
Loans payable	11,603	23,077	52,394	87,074
Bonds payable	1,126	15,058	10,510	26,694
Due to related parties	189	-	-	189
Liabilities on purchased properties	750	2,748	875	4,373
Derivative liability	47	-	-	47
<b>Total undiscounted financial liabilities</b>	<b>P37,898</b>	<b>P41,800</b>	<b>P63,779</b>	<b>P143,477</b>
<b>Liquidity Gap</b>	<b>P14,191</b>	<b>(P32,764)</b>	<b>(P63,192)</b>	<b>(P81,765)</b>

\*excluding cash on hand

#### *Foreign currency risk*

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's foreign currency-denominated financial instruments primarily consist of cash and cash equivalents, accounts receivable and accounts payable. The Group's policy is to maintain foreign currency exposure within acceptable limits.

#### *Interest rate risk*

The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows.

### **13. Fair Value Measurement**

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

#### *Cash and cash equivalents, restricted cash and short-term cash investments*

The fair value of cash and cash equivalents, restricted cash and short-term investments approximate the carrying amounts at initial recognition due to the short-term maturities these instruments.



#### *Receivables*

The fair value of receivables due within one year approximates its carrying amounts. The fair values of installment contracts receivable are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 3.47% to 12.00% and 3.24% to 12.00% as of June 30, 2018 and December 31, 2017. For the long-term loan receivable, the Group used discounted cash flow analyses to measure the fair value of the loan and determined that the carrying amount of the loans receivable was not materially different from its calculated fair value.

#### *Due from and to related parties*

The carrying amounts approximate fair values due to its short term nature. Related party receivables and payables are due and demandable.

#### *Investments in UITF*

A UITF uses the mark-to-market method in valuing the fund's securities. It is a valuation method which calculates the NAV based on the estimated fair market value of the assets of the fund based on prices supplied by independent sources.

#### *FVOCI / AFS investments - unquoted*

These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

#### *FVOCI / AFS investments - quoted*

Fair value of quoted AFS investment is based on the quoted market bid prices at the close of business on the reporting date.

#### *Accounts and other payables*

The fair values of accounts and other payables approximate the carrying amounts due to the short-term nature of these transactions.

#### *Loans payable*

Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. Estimated fair value of long-term loans payable with fixed interest rates are discounted based on interest rates ranging from 2.45% to 6.71% and 2.48% to 6.03% as of June 30, 2018 and December 31, 2017, respectively.

#### *Derivative asset/Derivative liability*

The fair values of cross currency swap transactions are derived using acceptable valuation methods. The valuation assumptions are based on market conditions existing at the financial reporting date.

#### *Bonds payable*

The fair value of the bonds payable is based on its quoted market price in the Philippine Dealing and Exchange Corporation.

#### *Liabilities on purchased properties*

Estimated fair value was based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long-term payable was incurred in 2017 and 2012 with 3.00% interest per annum.

The following tables summarize the carrying amount and fair values of financial assets and liabilities, as well as nonfinancial assets, analyzed based on the fair value hierarchy (see accounting policy on Fair Value Measurement), except for assets and liabilities where the carrying values as reflected in the consolidated statements of financial position and related notes approximate their respective fair values.

	June 30, 2018 (Unaudited)				
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial Assets					
FVTPL investments					
Investments in UITF	P3,121	P-	P3,121	P-	P3,121
FVOCI / AFS investments					
Quoted equity securities	8,047	8,047	-	-	8,047
Other noncurrent assets					
Derivative asset	413	-	413	-	413
	<b>P11,581</b>	<b>P8,047</b>	<b>P3,534</b>	<b>P-</b>	<b>P11,581</b>
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	P18,095	P-	P-	P21,656	P21,656
Loans receivables	927	-	-	1,075	1,075
Non-financial Assets					
Investment in listed associates	141,828	128,679	-	-	128,679
Investment properties	17,271	-	-	36,549	36,549
	<b>P178,121</b>	<b>P128,679</b>	<b>P-</b>	<b>P59,280</b>	<b>P187,959</b>
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties					
Loans payable	P3,515	P-	P-	P3,050	P3,050
Loans payable	111,378	-	-	116,908	116,908
Bonds payable	21,892	21,658	-	-	21,658
	<b>P136,785</b>	<b>P21,658</b>	<b>P-</b>	<b>P119,958</b>	<b>P141,616</b>

	December 31, 2017 (Audited)				Total
	Carrying Value	Level 1	Level 2	Level 3	
Assets measured at fair value:					
Financial Assets					
AFS investments					
Quoted equity securities	P2,233	P1,622	P611	P-	P2,233
	P2,233	P1,622	P611	P-	P2,233
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	P16,825	P-	P-	P20,135	P20,135
Loans receivables	962	-	-	1,077	1,077
Non-financial Assets					
Investment in listed associates	112,412	149,732	-	-	149,732
Investment properties	17,392	-	-	36,549	36,549
	P147,591	P149,732	P-	P57,761	P207,493
Liabilities measured at fair value:					
Financial Liabilities					
Other noncurrent liabilities					
Derivative liability	P47	P-	P47	P-	P47
	P47	P-	P47	P-	P47
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties					
Loans payable	P3,734	P-	P-	P3,608	P3,608
Bonds payable	65,521	-	-	66,104	66,104
	21,877	21,801	-	-	21,801
	P91,132	P21,801	P-	P69,712	P91,513

As of June 30, 2018 and December 31, 2017, no transfers were made among the three levels in the fair value hierarchy.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair value of the Group's investment properties has been determined based on valuations performed by Philippine Appraisal Co. Inc. (PACI) and Asian Appraisal Company (AAC), independent appraisers which are accredited by the SEC. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison. Valuation of the Group's investment properties are done every three years with the latest valuation report issued in 2017.



The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of investment properties held by the Group:

	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence
Building and Land Improvements	Cost Approach and Market Data Approach	Lineal and square meter, current cost of materials, labor and equipment, contractor's profits, overhead, taxes and fees

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's investment properties are as follows:

#### Valuation Techniques

**Market Data Approach** A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.

**Cost Approach** A process of determining the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation on physical wear and tear, and obsolescence.

#### Significant Unobservable Inputs

**Reproduction Cost New** The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.

**Size** Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.

**Shape** Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.

**Location** Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road.

**Time Element** "An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.

**Discount** Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

**Corner influence** Bounded by two (2) roads.

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**14. Contingent Liabilities**

In the ordinary course of the Group's operations, certain companies within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the Group's interim condensed consolidated financial position and results of operations.

In addition, in order to partially guarantee the completion of Federal Land's ongoing projects, the Parent Company issued Letters of Guarantee (LG) in favor of Housing and Land Use Regulatory Board for a total guarantee amount of ₱3.36 billion and ₱2.01 billion as of June 30, 2018 and December 31, 2017, respectively.

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**15. Events after the Reporting Date**

On July 2, 2018, the Parent Company acquired 1,143,600 common shares in TMC for a total purchase price of ¥8.16 billion, equivalent to ₱3.94 billion.

On August 2, 2018, the 3.5% stock dividend equivalent to 6,740,899 common shares were issued and listed in the Philippine Stock Exchange.

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**AS OF AND FOR THE PERIODS ENDED JUNE 30, 2018 AND JUNE 30, 2017 (UNAUDITED)**

(Amounts in millions except ratio and %)	2018	2017
<b>Liquidity Ratio</b>		
Current ratio	1.88	2.70
Current assets	₱118,180	₱103,259
Current liabilities	62,774	38,252
<b>Solvency Ratio</b>		
Total liabilities to total equity ratio	1.01	0.75
Total liabilities	181,380	126,790
Total equity	179,667	168,024
Debt to equity ratio	0.76	0.51
Total debt	136,783	86,012
Total equity	179,667	168,024
<b>Asset to Equity Ratio</b>		
Asset to equity ratio	2.01	1.75
Total assets	361,047	294,814
Total Equity	179,667	168,024
<b>Interest Rate Coverage Ratio*</b>		
Interest rate coverage ratio	5.61	8.35
Earnings before interest and taxes (EBIT)	12,511	13,487
Interest expense	2,231	1,616
<b>Profitability Ratio</b>		
Return on average assets	2.14%	2.58%
Net income attributable to Parent Company	7,141	7,237
Total assets	361,047	294,814
Average assets	334,369	280,130
Return on Average Equity	5.13%	6.15%
Net income attributable to Parent Company	7,141	7,237
Equity attributable to Parent Company (Common)	143,747	132,031
Average equity attributable to Parent Company	139,145	117,684

\*computed as EBIT/Interest Expense