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SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name AYALA CORP.

Industry Classification

Company Type Stock Corporation

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(Company's Full Name)

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

Josephine G. De Asis

Contact Person

908-3000

Company Telephone Number

1	2	3	1
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Month Day
Fiscal Year

1	7	-	Q	
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Secondary License Type, if Applicable

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Month Day
Annual Meeting

C	F	D
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Amended Articles Number/Section

6	5	1	3
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Total No. Of Stockholders

P	4	0	B.	bonds	
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Domestic

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Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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AYALA CORPORATION

(Company's Full Name)

**32F to 35F, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City**

(Company's Address)

908-3000

(Telephone Number)

September 30, 2018

(Quarter Ending)
(Month & Day)

SEC Form 17- Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION (SEC)

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2018**
2. SEC Identification No.: **34218**
3. BIR Tax Identification No. **000-153-610-000**
4. Exact name of the registrant as specified in its charter: **AYALA CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **Makati City, Philippines**
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of principal office: **32F to 35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City** Postal Code: **1226**
8. Registrant's telephone number: **(632) 908-3000 / 908-3357**
9. Former name, former address, former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA:

Title of each class	Number of shares issued & outstanding As of September 30, 2018
Preferred A	12,000,000*
Preferred B Series 1	28,000,000**
Preferred B Series 2	30,000,000***
Voting Preferred	200,000,000
Common	630,627,482

* all are in treasury shares

** of which 8,000,000 shares are in treasury

*** of which 3,000,000 shares are in treasury

Amount of debt outstanding as of September 30, 2018: **P40 billion in bonds******

****amount represents only debt of Ayala Corporation registered with Philippine SEC. The debt of subsidiaries registered with SEC are reported in their respective SEC17Q report.

11. Are any or all of these securities listed in the Philippine Stock Exchange? Yes ☒ No ☐

As of September 30, 2018, a total of 618,288,147 common shares, 12,000,000 preferred A ("ACPA") shares, 28,000,000 preferred B series 1 ("ACPB1") shares, and 30,000,000 preferred B series 2 ("ACPB2") shares are listed in the Philippine Stock Exchange ("PSE"). A total of 12,000,000 ACPA shares, 8,000,000 ACPB1 shares, and 3,000,000 ACPB2 shares are held in Treasury by the Company.

12. Check whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes ☒ No ☐
 - (b) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

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The unaudited interim condensed consolidated financial statements and other parts of the entire SEC 17Q report as of September 30, 2018 make reference to certain financial information and disclosures in the December 31, 2017 annual audited consolidated financial statements. This SEC17Q report should be read in conjunction with the Group's annual audited consolidated financial statements as of and for the year ended December 31, 2017*.

This SEC17Q report also include financial and operating data with respect to Ayala's material subsidiaries [Ayala Land, Inc. (ALI), Integrated Micro-Electronics, Inc. (IMI), and Manila Water Company, Inc. (MWC)], associate [Bank of the Philippine Islands (BPI)] and joint venture [Globe Telecom, Inc. (Globe)]. This SEC 17Q should be read in conjunction with the financial information and operating highlights of these subsidiaries, associate and joint venture as contained in their respective December 31, 2017 audited financial statements and SEC17A reports and SEC17Q report as of September 30, 2018.**

**The audited consolidated financial reports and SEC 17A report of Ayala Corporation and Subsidiaries as of December 31, 2017 are available at the Company's website www.ayala.com.ph.*

***The audited consolidated financial reports and SEC 17A reports as of December 31, 2017 as well as SEC 17Q report as of September 30, 2018 of the following listed companies under the Group are available in the following websites: ALI www.avalaland.com.ph, IMI www.global-iml.com, MWC www.manilawater.com.ph, BPI www.bpiexpressonline.com, and Globe www.globe.com.ph*

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PART I FINANCIAL INFORMATION

Section 1 Financial Statements

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30, 2018 (With Comparative Audited Figures as at December 31, 2017)
(Amounts in Thousands)

	September 2018 Unaudited	December 2017 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱ 72,654,474	₱ 64,259,279
Short-term investments (Note 5)	6,546,201	5,400,239
Accounts and notes receivable (Note 6)	133,991,229	124,109,122
Inventories (Note 7)	99,779,248	76,542,538
Other current assets (Note 8)	51,984,100	45,324,696
Total Current Assets	364,955,252	315,635,874
Noncurrent Assets		
Noncurrent accounts and notes receivable (Note 6)	46,842,008	45,774,058
Land and improvements (Note 9)	170,525	93,869,008
Investments in associates and joint ventures (Note 10)	240,526,195	202,649,300
Investment properties (Note 12)	235,415,085	137,657,633
Property, plant and equipment (Note 12)	95,793,403	85,430,631
Service concession assets (Note 13)	95,787,479	91,049,570
Intangible assets (Note 11)	16,435,188	16,705,000
Deferred tax assets - net (Note 11)	14,484,675	12,720,910
Other noncurrent assets (Note 8)	25,307,481	20,053,768
Total Noncurrent Assets	770,762,039	705,909,878
Total Assets	₱ 1,135,717,291	₱ 1,021,545,752
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Note 16)	₱ 34,979,287	₱ 29,904,723
Accounts payable and accrued expenses (Note 14)	170,450,931	169,652,527
Income tax payable	1,705,255	1,710,260
Other current liabilities (Note 15)	23,007,405	25,983,794
Current portion of:		
Long-term debt (Note 16)	47,958,270	13,731,967
Service concession obligation	832,424	803,898
Total Current Liabilities	278,933,572	241,787,169
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	328,740,793	306,975,262
Service concession obligation - net of current portion	6,852,683	7,748,056
Deferred tax liabilities - net	8,845,334	8,108,305
Pension liabilities	2,741,818	2,600,756
Other noncurrent liabilities (Note 15)	52,190,041	43,233,816
Total Noncurrent Liabilities	399,370,669	368,666,195
Total Liabilities	678,304,241	610,453,364
Equity		
Equity attributable to owners of the parent		
Paid-in capital (Note 17)	83,297,765	75,001,174
Share-based payments	238,871	248,212
Remeasurement losses on defined benefit plans	(1,291,417)	(1,303,288)
Net unrealized gain (loss) on available-for-sale financial assets	145,597	(1,107,962)
Cumulative translation adjustments	6,154,641	2,794,303
Equity reserve	9,688,944	11,600,281
Equity conversion option (Note 16)	1,087,758	1,113,003
Retained earnings (Note 17)	190,857,215	170,302,028
Treasury stock	(2,300,000)	(2,300,000)
	287,879,374	256,347,751
Non-controlling interests	169,533,676	154,744,637
Total Equity	457,413,050	411,092,388
Total Liabilities and Equity	₱ 1,135,717,291	₱ 1,021,545,752

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Figures)

	2018		2017	
	July to Sept.	Jan. to Sept.	July to Sept.	Jan. to Sept.
REVENUE				
Sale of goods (Note 2, Section 2.8)	₱ 32,927,033	₱ 100,365,568	₱ 44,267,228	₱ 125,303,516
Rendering of services (Note 2, Section 2.8)	34,225,974	101,311,032	15,547,340	45,166,460
Share of profit of associates and joint ventures	5,502,333	15,551,656	4,846,337	14,227,819
Interest income	2,265,453	5,821,794	1,402,654	4,747,380
Dividend income	(150,209)	427,070	137,576	646,627
	74,770,584	223,477,120	66,201,135	190,091,802
COSTS AND EXPENSES				
Costs of sales (Note 2, Section 2.8)	24,201,816	74,117,462	34,837,728	99,273,049
Costs of rendering services (Note 2, Section 2.8)	24,206,014	70,643,185	7,640,156	23,212,788
General and administrative	6,944,003	20,769,893	5,596,871	14,963,667
	55,351,833	165,530,540	48,074,755	137,449,504
OTHER INCOME (CHARGES)				
Other income (Note 14, Item 2.8)	4,099,504	14,973,349	5,038,346	11,439,520
Interest and other financing charges	(4,749,600)	(13,767,994)	(3,580,152)	(10,794,645)
Other charges	(1,975,547)	(6,767,377)	(2,902,438)	(6,393,865)
	(2,625,643)	(5,562,022)	(1,444,244)	(5,748,990)
INCOME BEFORE INCOME TAX	16,793,108	52,384,558	16,682,136	46,893,308
PROVISION FOR INCOME TAX				
Current	4,233,718	11,924,367	3,592,256	9,168,239
Deferred	(601,862)	(341,928)	(445,183)	(412,548)
	3,631,856	11,582,439	3,147,073	8,755,691
NET INCOME	₱ 13,161,252	₱ 40,802,119	₱ 13,535,063	₱ 38,137,617
Net Income Attributable to:				
Owners of the parent	₱ 7,795,811	₱ 23,863,767	₱ 8,175,773	₱ 23,235,153
Non-controlling interests	5,365,441	16,938,352	5,359,290	14,902,464
	₱ 13,161,252	₱ 40,802,119	₱ 13,535,063	₱ 38,137,617
EARNINGS PER SHARE (Note 18)				
Basic	₱ 11.87	₱ 36.69	₱ 12.64	₱ 35.86
Diluted	₱ 11.69	₱ 36.13	₱ 12.56	₱ 35.38

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	2018		2017	
	July to Sept.	Jan. to Sept.	July to Sept.	Jan. to Sept.
NET INCOME	₱ 13,161,252	₱ 40,802,119	₱ 13,535,063	₱ 38,137,617
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising from translations of foreign investments	1,522,046	4,268,551	1,532,710	2,968,051
Changes in fair values of available-for-sale financial assets	(6,728)	615	2,699	(612,296)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gains (losses) on defined benefit plans - net	(8,575)	(111,080)	42,572	(5,600)
	1,506,743	4,158,086	1,577,981	2,350,155
SHARE OF OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising from translations of foreign investments	14,342	318,705	3,310	60,880
Changes in fair values of available-for-sale financial assets	42,618	(628,164)	148,304	133,767
Effect of adoption of revised accounting standard - PFRS 9	8,308	1,842,241	-	-
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gains (losses) on defined benefit plans	64,057	56,054	(104,066)	(47,142)
	129,325	1,588,836	47,548	147,505
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	1,636,068	5,746,922	1,625,529	2,497,660
TOTAL COMPREHENSIVE INCOME	₱ 14,797,320	₱ 46,549,041	₱ 15,160,592	₱ 40,635,277
Total Comprehensive Income Attributable to:				
Owners of the parent	₱ 9,145,394	₱ 28,489,535	₱ 8,980,593	₱ 24,435,428
Non-controlling interests	5,651,926	18,059,506	6,179,999	16,199,849
	₱ 14,797,320	₱ 46,549,041	₱ 15,160,592	₱ 40,635,277

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT											Total Equity
	Paid-in Capital	Share-based Payments	Other Comprehensive Income					Retained Earnings	Treasury Stock	Total	Non-controlling Interests	
			Remeasurement Gains/(Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option					
At January 1, 2018, as previously reported	₱ 75,001,174	₱ 248,212	₱ (1,303,288)	₱ (1,107,962)	₱ 2,794,303	₱ 11,600,281	₱ 1,113,003	₱ 170,302,028	₱ (2,300,000)	₱ 256,347,751	₱154,744,637	₱ 411,092,388
Effect of adoption of revised accounting standards - PFRS 9 and 15	-	-	-	-	-	-	-	(1,157,092)	-	(1,157,092)	-	(1,157,092)
As of January 1, 2018, as restated	75,001,174	248,212	(1,303,288)	(1,107,962)	2,794,303	11,600,281	1,113,003	169,144,936	(2,300,000)	255,190,659	154,744,637	409,935,296
Net Income	-	-	-	-	-	-	-	23,863,767	-	23,863,767	16,938,352	40,802,119
Effect of adoption of revised accounting standards - PFRS 9	-	-	-	1,842,241	-	-	-	-	-	1,842,241	-	1,842,241
Share in other comprehensive income (loss) of associates and joint ventures	-	-	56,054	(628,164)	318,705	-	-	-	-	(253,405)	-	(253,405)
Other comprehensive income (loss)	-	-	(44,183)	39,482	3,041,633	-	-	-	-	3,036,932	1,121,154	4,158,086
Total comprehensive income (loss)	-	-	11,871	1,253,559	3,360,338	-	-	23,863,767	-	28,489,535	18,059,506	46,549,041
Issuance of shares	8,065,296	-	-	-	-	-	-	-	-	8,065,296	-	8,065,296
Exercise of ESOP/ESOWN	231,295	(9,341)	-	-	-	-	-	-	-	221,954	-	221,954
Exercise of exchange option	-	-	-	-	-	279,459	(25,245)	-	-	254,214	75,395	329,609
Cash Dividends	-	-	-	-	-	-	-	(2,151,488)	-	(2,151,488)	(4,939,373)	(7,090,861)
Change in non-controlling interests	-	-	-	-	-	(2,190,796)	-	-	-	(2,190,796)	1,593,511	(597,285)
At September 30, 2018 (Unaudited)	₱ 83,297,765	₱ 238,871	₱ (1,291,417)	₱ 145,597	₱ 6,154,641	₱ 9,688,944	₱ 1,087,758	₱ 190,857,215	₱ (2,300,000)	₱ 287,879,374	₱169,533,676	₱ 457,413,050

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT												
	Paid-in Capital	Share-based Payments	Other Comprehensive Income					Equity Conversion Option	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
			Remeasurement Gains/(Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustments	Equity Reserve							
At January 1, 2017	₱ 74,379,760	₱ 495,759	₱ (1,548,192)	₱ (466,676)	₱ 1,414,550	₱ 12,211,275	₱ 1,113,745	₱ 145,622,311	₱ (2,300,000)	₱ 230,922,532	₱ 140,073,346	₱ 370,995,878	
Net Income	-	-	-	-	-	-	-	23,235,153	-	23,235,153	14,902,464	38,137,617	
Other comprehensive income (loss)	-	-	(34,790)	(617,186)	1,704,746	-	-	-	-	1,052,770	1,297,385	2,350,155	
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(47,142)	133,767	60,880	-	-	-	-	147,505	-	147,505	
Total comprehensive income (loss)	-	-	(81,932)	(483,419)	1,765,626	-	-	23,235,153	-	24,435,428	16,199,849	40,635,277	
Exercise of ESOP/ESOWN	404,987	-	-	-	-	-	-	-	-	404,987	-	404,987	
Cost of share-based payments	-	(215,681)	-	-	-	-	-	-	-	(215,681)	-	(215,681)	
Cash Dividends	-	-	-	-	-	-	-	(2,149,439)	-	(2,149,439)	(4,681,641)	(6,831,080)	
Change in non-controlling interests	-	-	-	-	-	(849,160)	-	-	-	(849,160)	(611,085)	(1,460,245)	
At September 30, 2017 (Unaudited)	₱ 74,784,747	₱ 280,078	₱ (1,630,124)	₱ (950,095)	₱ 3,180,176	₱ 11,362,115	₱ 1,113,745	₱ 166,708,025	₱ (2,300,000)	₱ 252,548,667	₱ 150,980,469	₱ 403,529,136	

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

	Other Comprehensive Income										Non-controlling Interests	Total Equity
	Paid-in Capital	Share-based Payments	Remeasurement Gains/(Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option	Retained Earnings	Treasury Stock	Total		
At January 1, 2017	₱ 74,379,760	₱ 495,759	₱ (1,548,192)	₱ (466,676)	₱ 1,414,550	₱ 12,211,275	₱ 1,113,745	₱ 145,622,311	₱ (2,300,000)	₱ 230,922,532	₱ 140,073,346	₱ 370,995,878
Net Income	-	-	-	-	-	-	-	30,263,842	-	30,263,842	19,602,933	49,866,775
Other comprehensive income (loss)	-	-	191,482	(707,108)	1,274,590	-	-	-	-	758,964	1,194,857	1,953,821
Share in other comprehensive income (loss) of associates and joint ventures	-	-	53,422	65,822	105,163	-	-	-	-	224,407	-	224,407
Total comprehensive income (loss)	-	-	244,904	(641,286)	1,379,753	-	-	30,263,842	-	31,247,213	20,797,790	52,045,003
Exercise of ESOP/ESOWN	621,414	(247,043)	-	-	-	-	-	-	-	374,371	-	374,371
Cost of share-based payments	-	(504)	-	-	-	-	-	-	-	(504)	-	(504)
Exercise of exchange option	-	-	-	-	-	8,606	(742)	-	-	7,864	2,048	9,912
Cash Dividends	-	-	-	-	-	-	-	(5,584,125)	-	(5,584,125)	(5,395,567)	(10,979,692)
Change in non-controlling interests	-	-	-	-	-	(619,600)	-	-	-	(619,600)	(732,980)	(1,352,580)
At December 31, 2017 (Audited)	₱ 75,001,174	₱ 248,212	₱ (1,303,288)	₱ (1,107,962)	₱ 2,794,303	₱ 11,600,281	₱ 1,113,003	₱ 170,302,028	₱ (2,300,000)	₱ 256,347,751	₱ 154,744,637	₱ 411,092,388

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

	September 2018 Unaudited	September 2017 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 52,384,557	P 46,893,309
Adjustments for:		
Interest and other financing charges - net of amount capitalized	13,767,994	10,794,645
Depreciation and amortization	10,361,891	9,212,031
Cost of share-based payments	72,185	(10,640)
Provision for impairment losses	531,500	(460,992)
Mark to market gain on financial assets at fair value through profit or loss (FVPL) and derivatives	(412,738)	(221,339)
Dividend income	(427,070)	(261,216)
Other investment income	(1,244,068)	(192,600)
Gain on sale of:		
Investments	(1,483,555)	(931,998)
Other assets	(37,012)	(61,938)
Interest income	(5,821,794)	(4,747,380)
Share of profit of associates and joint ventures	(15,551,656)	(14,227,819)
Operating income before changes in operating assets and liabilities	52,140,234	45,784,063
Decrease (increase) in:		
Accounts and notes receivable - trade	1,512,940	(3,689,069)
Inventories	(2,374,883)	1,503,479
Service concession asset	(7,290,575)	(7,108,208)
Other current assets	1,996,792	(2,610,301)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,310,590)	8,634,518
Net pension liabilities	106,427	(157,020)
Other current liabilities	(1,857,851)	1,860,294
Net cash generated from operations	41,922,494	44,217,756
Interest received	5,747,458	4,694,020
Interest paid	(13,913,636)	(10,556,475)
Income tax paid	(11,929,372)	(9,719,485)
Net cash provided by operating activities	P 21,826,944	P 28,635,816

(Forward)

	September 2018 Unaudited	September 2017 Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale/maturities of investments in bonds and other securities	₱ 505,022	₱ 872,937
Sale/redemptions of investments in associates and joint ventures	328,710	1,456,962
Disposals of:		
Property, plant and equipment	820,250	2,356,060
Investment properties	115,901	90,093
Land and improvements	249,639	521,503
Maturities of (additions to) short-term investments	(1,145,962)	(1,306,005)
Deductions/transfers (additions) to:		
Service concession assets	(8,383)	(19,410)
Investments in associates and joint ventures	(36,216,159)	(9,591,122)
Property, plant and equipment	(8,415,954)	(20,139,357)
Investment properties	(14,179,171)	(23,578,570)
Land and improvements	(675,451)	-
Accounts and notes receivable - non-trade	(10,649,885)	(1,098,561)
Financial assets at FVPL	-	(4,655,757)
Investment in bonds and other securities	(509,770)	(1,136,995)
Intangible assets	514,601	(1,404,935)
Dividends received from associates, joint ventures and investments in equity securities	8,492,755	6,549,467
Acquisitions through business combinations - net of cash acquired	(4,497,998)	(4,118,815)
Increase in other noncurrent assets	(2,568,798)	(4,661,879)
Net cash used in investing activities	(67,840,653)	(59,864,384)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term and long-term debt	69,215,471	79,267,445
Payments of short-term and long-term debt	(16,837,180)	(26,495,271)
Dividends paid	(8,064,836)	(9,595,077)
Service concession obligation paid	(428,038)	(387,488)
Collections of subscriptions receivable	149,770	199,946
Issuance of common shares	8,065,296	-
Increase in:		
Other noncurrent liabilities	6,945,985	2,635,567
Non-controlling interests in consolidated subsidiaries	(4,637,564)	(502,601)
Net cash provided by financing activities	54,408,904	45,122,521
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 8,395,195	 13,893,953
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 64,259,279	 60,223,324
 CASH AND CASH EQUIVALENTS AT END OF PERIOD	 ₱ 72,654,474	 ₱ 74,117,277

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporation Information and Basis of Financial Statement Preparation

Ayala Corporation (herein referred to as “the Company”, “the Parent Company” or “Ayala” is incorporated in the Republic of the Philippines on January 23, 1968. On April 15, 2016, during the annual meeting of its stockholders, the stockholders ratified the amendment of the Fourth Article of the Articles of Incorporation to extend the corporate term for 50 years from January 23, 2018. The Company’s registered office address and principal place of business is 32F-35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City. The Company is a publicly listed company which is 47.04% owned by Mermac, Inc. and the rest by the public.

The Company is the holding company of the Ayala Group of Companies (collectively referred to as “the Group”), with principal business interests in real estate and hotels, financial services and insurance, telecommunications, water infrastructure, electronics solutions and manufacturing, industrial technologies, automotive, power generation, transport infrastructure, international real estate, healthcare and education.

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

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited interim condensed consolidated financial statements are based upon management’s evaluation of relevant facts and circumstances as of the date of the unaudited interim condensed consolidated financial statements. Actual results could differ from such estimates.

The unaudited interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries.

The unaudited interim condensed consolidated financial statements are presented in Philippine Peso (₱), and all values are rounded to the nearest thousand pesos (₱000) except when otherwise indicated.

On November 13, 2018, the Company’s Audit Committee approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of Ayala Corporation and Subsidiaries.

2. Summary of Significant Accounting Policies

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those of the previous financial year, except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2018. The nature and the impact of each new standards and amendments is described below:

For 2018, the Group applies, for the first time PFRS 15, *Revenue from Contracts with Customers*, and PFRS 9, *Financial Instruments* that require restatement of previous financial statements.

- 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 certain revenue transactions of some subsidiaries and associates and joint ventures of the Group. This will supersede all current revenue recognition requirements under PFRSs.

Based on the Group's assessment, the requirements of PFRS 15 on the following areas impact the Group's consolidated financial position, comprehensive income and disclosures. Being a conglomerate, the affected subsidiaries and associates & joint ventures of the Group have varying application and implementation for each area below depending on the type of their business:

- a. Identification of rendering services in various stages of the transaction as one performance obligation
- b. Variable considerations such as prompt payment discounts, volume discounts, rebates, and price reduction
- c. Recognition of revenue over time given that the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, the effect of these changes is not expected to be material for the Group.

For Real Estate Group

Although the new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs, the SEC has issued SEC Memorandum Circular No. 14, series of 2018, Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry.

The Commission En Banc, in its meeting held on October 25, 2018, decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of the percentage of completion (POC), for a period of three (3) years.

The deferral will only be applicable for real estate transactions. Effective January 01, 2021, real estate companies will adopt PIC Q&A 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The above relief shall form part of the PFRS for the purpose of preparing and filing general-purpose financial statements with the Commission.

As the ALI Group is already using Percentage of Completion (POC) in recognizing revenue even prior to the issuance of PIC Q&A # 2016-04 (application of PFRS 15 on revenue under pre-completion contracts) and given the deferral of the implementation of PIC Q&A 2018-12, which limits the POC components, the new standard has no impact to the Group.

As of January 1, 2018, the Group adopted the new standard using the modified retrospective method.

- **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. 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 of PFRS 9 will change the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

PFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Being a conglomerate, the affected subsidiaries and associates & joint ventures of the Group will have varying ECL models and classification and measurement models. Differences will also be evident in the application and implementation as regards "forward-looking" definition and factors depending on the type of their business and debtors. These models and implementation approaches are currently being validated to finalize full impact and complete compliance with the standard.

The effects of the adoption of these standards on the consolidated financial statements as of December 31, 2017 are shown in the succeeding table (in millions).

	Cumulative retrospective adjustments affecting:					Beginning balance, as restated
	Beginning balance, as reported	Investment in Associates & Joint Ventures	Inventories	Other Current Assets	Others	
Retained Earnings	P 170,302	P -	P -	P -	P -	P 170,302
Impact of PFRS 15		556	(2,999)	3,410	(290)	678
Impact of PFRS 9		(1,918)			83	(1,835)
	P 170,302	P (1,362)	P (2,999)	P 3,410	P (207)	P 169,145
Unrealized gain (loss) on AFS financial assets						Total
Impact of PFRS 9		P 1,842			P 94	P 1,936
Impact of PFRS 9 & 15 in Stockholders' Equity						P 780

The impact of these two new standards in the Group's consolidated income for the period ended September 30, 2018 follows (in millions):

Revenues	P 836
Share of profit of associates and joint ventures	468
Cost of sales	(712)
Income tax	(17)
Net income	P 575

The adoption of the standards has no material impact the Group's consolidated statements of cash flows, as well as its basic and diluted earnings per share.

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group is currently assessing the potential effect of the amendments on its consolidated financial statements.

- 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 new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- 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.

These amendments are not expected to have any impact on the Group.

- 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.

These amendments are not expected to have any impact on the Group.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

Standards and Interpretations Issued but not yet Effective

The Group will adopt the following new and amended Standards and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) enumerated below 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 the consolidated financial statements.

Effective beginning on or after January 1, 2019

- *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.
- *PFRS 16, Leases*
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- *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*
The interpretation 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:

- a. Whether an entity considers uncertain tax treatments separately
- b. The assumptions an entity makes about the examination of tax treatments by taxation authorities
- c. How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- d. 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.

Standards with Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, 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 Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Principles of Consolidation

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

Subsidiaries	Nature of Business	% of Economic Ownership Interest held by the Group	
		September 2018 (Unaudited)	December 2017 (Audited)
AC Energy, Inc. (ACEHI/AC Energy) (formerly AC Energy Holdings, Inc.)	Power Generation	100.0 %	100.0 %
AC Infrastructure Holdings Corporation (AC Infra)	Transport Infrastructure	100.0	100.0
AC International Finance Limited (ACIFL)*	Investment Holding	100.0	100.0
AG Counselors Corporation (AGCC)	Consulting Services	100.0	100.0
AC Industrial Technology Holdings Inc. (AITHI/ACI)	Industrial Technology and Automotive	100.0	100.0
Ayala Aviation Corporation (AAC)	Air Charter	100.0	100.0
AC Education, Inc. (AEI) (formerly Ayala Education, Inc.)	Education	100.0	100.0
Ayala Land, Inc. (ALI)	Real Estate and Hotels	47.0	47.1
AYC Finance Limited (AYCFL)*	Investment Holding	100.0	100.0
Azalea International Venture Partners Limited (AIVPL)**	Business Process Outsourcing (BPO)	100.0	100.0
Ayala Healthcare Holdings, Inc. (AHCHI)	Healthcare	100.0	100.0
Bestfull Holdings Limited (BHL)***	Investment Holding - International	100.0	100.0
Darong Agricultural and Development Corporation (DADC)	Agriculture	100.0	100.0
HCX Technology Partners Inc. (HCX)	HR Technology Services	100.0	100.0
Integrated Microelectronics, Inc. (IMI)	Electronics	52.1	50.7
Manila Water Company, Inc. (MWC)	Water Infrastructure	51.4	51.6
Michigan Holdings, Inc. (MHI)	Investment Holding	100.0	100.0
Philwater Holdings Company, Inc. (Philwater)	Investment Holding	100.0	100.0
Purefoods International Limited (PFIL)**	Investment Holding	100.0	100.0
Technopark Land, Inc. (TLI)	Real Estate	78.8	78.8
AC Ventures Holding Corp. (AVHC) (formerly Water Capital Works, Inc.)	Investment Holding	100.0	100.0

*Incorporated in Cayman Islands

**Incorporated in British Virgin Islands

***Incorporated in Hong Kong

Unless otherwise indicated, the principal place of business and country of incorporation of the Company's investments in subsidiaries is the Philippines.

Except as discussed below, the voting rights held by the Company in its investments in subsidiaries are in proportion to its percentage of economic ownership.

The following are the highlights of significant transactions of the subsidiaries, part of which affected the Company's investments in its subsidiaries:

Parent Company

- a) On January 19, 2018, the BOD of the Parent Company approved the restructuring of ACEHI which will result to two wholly-owned subsidiaries. The restructuring will be undertaken through the following:
 - a. Creation of a new holding company, AC Renewables, Inc.;
 - a. Transfer of renewable assets to AC Renewables, Inc.; and
 - b. Renaming of Presage Corporation to ACE Thermal, Inc.

The Parent Company will retain ACEHI as the holding company for its power generation business units which will primarily consist of renewable energy and thermal energy segments.

- b) On February 7, 2018, the Company confirmed that the wholly-owned subsidiary, AITHI/ACI, through one of its group companies, has received notice from Kia Motors Asia Regional

headquarters that it has considered the Ayala group as “the preferred bidder” to start negotiations for the Kia distributorship in the Philippines. However, no definitive terms have been reached and appropriate disclosure of any agreement reached will be made.

- c) On February 8, 2018, the Company clarified the news article entitled, “Group taps Changi operator for airport plan” posted in Inquirer.net on February 8, 2018. The Company confirmed that the parties* have agreed to engage Changi Airport Consultants Pte. Ltd. (Changi), a wholly-owned subsidiary of Changi Airports International Pte. Ltd., to provide technical support in relation to their unsolicited proposal to rehabilitate and expand the Ninoy Aquino International Airport

On February 9, 2018, the Company clarified the news article entitled, “Super consortium shapes up” published in the February 9, 2018 issue of the Philippine Daily Inquirer. The Company clarified that the specific percentage interests of the parties*, including any further involvement of Changi Airport Consultants Pte. Ltd. in the unsolicited proposal, have not been determined at this time.

*Metro Pacific Investments Corp, Andrew Tan's Alliance Globe Group Inc., Ayala Corp., Aboitiz Equity Ventures Inc., Gokongwei-led JG Summit Holdings Inc., Gotianun's Filinvest Development Corp., and Lucio Tan's LT Group. Please refer to AC Infra Group discussion below for further details.

- d) On March 12, 2018, in a press statement, the Company reported a net income of ₱30.3 billion in full year 2017, climbing 16% from the previous year on the back of robust double-digit growth of its real estate and power businesses.

On May 11, 2018, in a press statement, the Company reported that its net income expanded 10% in Q1 2018 to ₱7.7 billion lifted by the robust earnings growth of its real estate and power units.

On August 13, 2018, in a press statement, the Company reported that its net income expanded 7% in the first half of the year to ₱16.1 billion year-on-year, lifted by the solid performance of its real estate, telecommunications and power businesses.

ALI Group

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

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

The mandatory take-over offer made in connection to the acquisition of additional shares in MCT closed as of 5:00 p.m. (Malaysian time) 19 February 2018. Owners of 295,277,682 shares accepted the offer, equivalent to 22.12% of MCT's total outstanding shares. As a result of the offer, ALI's shareholdings in MCT increased from 50.19% to 72.31%.

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

As ALI obtained control over MCT on January 5, 2018, accordingly, the MCT financial statements were consolidated on a line-by-line basis with that of the Group.

The purchase price allocation has been prepared on a preliminary basis as the fair values of the inventories, investment property and property, plant and equipment are being finalized.

	in Php thousands
ASSETS	
Cash	₱539,313
Trade and other receivables	1,714,025
Inventories	64,398
Other current assets	7,218,309
Other investments (Available for sale)	-
Property, plant and equipment	3,344,947
Investment properties	4,539,633
Land held for development	8,136,317
Other noncurrent assets	69,222
Total Assets	₱25,626,164
LIABILITIES	
Accounts and other payables	₱3,481,205
Borrowings	2,815,882
Tax liabilities	128,551
Other payables	1,961,351
Total Liabilities	₱8,386,989
Net Assets	17,239,175
Total net assets acquired to date	12,465,647
Carrying cost	12,406,163
Net negative goodwill	₱59,484

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

ALI has remeasured its previously held interest at its acquisition-date fair value and the resulting revaluation loss ₱1.79 billion has been recognized. Meanwhile, a provisional gain from bargain purchase amounting to ₱1.85 billion was also recorded resulting into a net negative goodwill amounting to ₱59.5 million. These accounts form part of the consolidated Other Income as of September 30, 2018

- b) On January 24, 2018, ALI acquired an additional 202,774,547 shares of Prime Orion Philippines, Inc. (POPI) amounting to ₱497.7 million. This transaction increased ALI's effective ownership in POPI to 61.29%.

On March 23, 2018, the Executive Committee of ALI approved the exchange of ALI's 75% equity interest in Laguna Technopark, Inc. (LTI) into additional shares of stock in Prime Orion Philippines, Inc. (POPI). The value of the transaction is ₱3.0 billion where POPI will issue 1,225,370,620 common shares to ALI in exchange for 30,186 LTI common shares and bring ALI's direct ownership in POPI to 63.90%.

On April 30, 2018, ALI and POPI executed a Deed of Exchange where ALI will subscribe to 1,225,370,620 common shares of POPI for an aggregate subscription price of ₱3,030.75 million in exchange for 30,186 common shares of Laguna Technopark, Inc. (LTI). The subscription and exchange shall be subject to and deemed effective only upon the issuance by the Securities and Exchange Commission of the confirmation of valuation of the shares. This transaction increased ALI's effective ownership in POPI to 69.83%

- c) On February 20, 2018, the BOD of ALI approved the following:
- i. Declaration of cash dividends amounting to ₱0.252 per outstanding common share. These will be paid on April 3, 2018 to shareholders on record as of March 12, 2018. Further, on the same date, the BOD of ALI declared an annual cash dividends of 4.74786% per share to all shareholders of ALI's unlisted voting preferred shares. These will be paid out on June 29, 2018 to shareholders on record as of June 15, 2018.
 - ii. Raising of up to ₱20.0 billion through (a) retail bonds listed in the Philippine Dealing and Exchange Corporation and (b) bilateral term loan/s to partially finance general corporate requirements. The retail bonds will be issued under the Corporation's ₱50.0 billion Debt Securities Program as approved by the SEC in March 2016.
 - iii. Raising of up to ₱5.0 billion through the issuance of Qualified Buyer Notes with a tenor of up to 5 years to refinance ALI's short-term loans.

On August 17, 2018, the BOD of ALI approved the following:

- i. Declaration of cash dividends of ₱0.252 per outstanding common share. This second half regular cash dividends reflect a 5% increase from last year's second half dividend of ₱0.24 per share. The cash dividend was paid on October 2, 2018 to stockholders of common shares as of record date, September 6, 2018.
 - ii. Raising of up to ₱8.0 billion, through the issuance of fixed rate retail bonds with a tenor of 5 years, to be listed in the Philippine Dealing and Exchange Corporation. This is the remaining unissued balance of ALI's ₱50.0 billion Debt Securities Program as approved by the SEC in March 2016.
- d) On February 20, 2018, the PCC approved the setting up of a joint venture between ALI and Royal Asia Land, Inc. to acquire, own, and develop a 936-hectare commercial and residential project in Silang and Carmona, Cavite. Both firms will own 50% equity in the joint venture vehicle while Royal Asia Land will receive a consultation fee of 2% of the joint venture firm's gross revenue for its participation in the planning and development of the property. ALI, meanwhile, will develop and market the project and receive a management fee of 12% and sales and marketing fee of 5% of the gross revenue. The PCC has deemed that the transaction does not result in a substantial lessening of competition because it will not have a structural effect on the market.
- e) On March 6, 2018, ALI received the approval of the PCC to acquire 290 hectares of land owned by Central Azucarera de Tarlac. The acquisition is not yet final and is subject to closing conditions.

On April 4, 2018, ALI signed a Deed of Absolute Sale with Central Azucarera de Tarlac, Inc. for the acquisition of several parcels of land with an aggregate area of approximately 290 hectares located in Barangay Central, City of Tarlac, Province of Tarlac.

- f) On May 11, 2018, ALI entered into a Memorandum of Understanding with Green Square Properties Corporation (GSPC) and Green Circle Properties and Resources, Inc. (GCPRI) for the formation of a joint-venture company (JVC) that will own and develop 27,852 hectares of land, specifically located in Dingalan Aurora and General Nakar, Province of Quezon. ALI will own 51%, and GSPC and GCPRI will jointly own 49% of the JVC.
- g) On June 1, 2018, ALI acquired an additional 46,791,400 shares of Cebu Holdings, Inc. (CHI), amounting to ₱275.8 million. This increased ALI's ownership in CHI to 74.40%.

On June 8, 2018, ALI acquired an additional 12,839,800 shares of CHI amounting to ₱75.8 million, which increased ALI's effective ownership in CHI to 75.07%.

- h) On February 20, 2018, the BOD approved the grant to qualified executives, stock options pursuant to the ALI's Employee Stock Ownership Plan (the "Plan"), covering up to 13,677,052 common shares at a subscription price of ₱45.07 per share equivalent to the average closing price of ALI common shares at the Philippine Stock Exchange for 30 consecutive trading days ending February 5, 2018.

On July 23, 2018, 125 stock option grantees subscribed to 8,316,310 common shares at ₱45.07 per share and became effective on the same day. As a result of the subscription of the 125 stock option grantees, the number of ALI outstanding common shares increased to 14,734,881,081.

- i) The voting rights held by the Group in ALI as of September 30, 2018 and December 31, 2017 is equal to 68.7%.

MWC Group

- a) Effective January 1, 2018, Boracay Island Water Company, Inc. implemented the second tranche of tariff increase of 15.80%, inclusive of consumer price index, as approved by TIEZA on December 15, 2017 arising from its 2017 rate rebasing.

On August 1, 2018, the TIEZA – Regulatory Office approved the discontinuance of the 14.34% FCDA downward adjustment of Boracay Water, thus applying a 0.00% FCDA effective August 17, 2018.

- b) On January 26, 2018, MWC and Manila Water Philippine Ventures, Inc (MWPVI) (collectively the "Consortium") received the Notice of Award (the Notice) from the City of Ilagan Water District (CIWD) for the implementation of the joint venture project for the development,

financing, operation and management of a raw water source, provision of bulk water supply with system expansion, and the development of septage management in the City of Ilagan, Isabela (the "Project").

Upon completion of the conditions precedent specified in the Notice, the Consortium and CIWD shall enter into a joint venture agreement to establish a joint venture corporation that will implement the Project. Consequently, the joint venture corporation will enter into a Bulk Water Sales and Purchase Agreement and Septage Management Agreement with CIWD.

- c) On March 1, 2018, the BOD of MWC approved the following:
 - i. Allotment of 300.00 million common shares for the purpose of exchanging such shares for assets and/or raising funds to acquire assets needed for the business of MWC; and
 - ii. Amendment of MWC's Articles of Incorporation to exclude the 300.00 million common shares from the pre-emptive rights of existing stockholders.
- d) On March 1, 2018, the BOD of MWC approved the conversion of MWC's receivables from MWPVI amounting to ₱53.84 million into additional equity in MWPVI.
- e) On March 2, 2018, the BOD approved the declaration of cash dividends for the first semester of 2018, amounting to ₱0.4302 and ₱0.04302 per share on the outstanding common shares and participating preferred shares, respectively, payable on March 28, 2018 to stockholders of record as of March 15, 2018.
- f) On December 6, 2017, MWC received the Notice of Award from Leyte Metropolitan Water District (LMWD) for the implementation of the joint venture project (the "Leyte Project") for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply and sanitation facilities and services of LMWD in the Province of Leyte.

The conditions precedent specified in the Notice of Award include the incorporation of a special purpose vehicle (SPV) which will implement the Leyte Project under a contractual joint venture with the LMWD.

Upon completion of the conditions precedent specified in the Notice of Award, the SPV and the LMWD shall enter into a joint venture agreement that will grant the SPV, as contractor, to perform certain functions and as agent for the exercise of, the sole and exclusive right to manage, operate, maintain, repair, refurbish and improve, expand and as appropriate, decommission, the facilities of LMWD in its Service Area, including the right to bill and collect tariff for the provision of water supply and sanitation services in the Service Area of LMWD.

LMWD's service area covers the City of Tacloban and seven other municipalities namely Palo, Tanauan, Dagami, Tolosa, Pastrana, TabonTabon, and Santa Fe.

On February 20, 2018, the BOD of MWPVI approved the creation of this SPV, a wholly-owned subsidiary of the MWPVI.

- g) On December 11, 2017, the Municipality of Malasiqui granted a franchise between MWPVI and Tubig Pilipinas Group, Inc for the implementation of the joint venture project to establish, construct, operate, manage, repair, and maintain water supply and wastewater system and facilities in the municipality of Malasiqui, Pangasinan. The franchise has a term of twenty-five (25) years from the commencement date.

On February 20, 2018, the BOD of MWPVI approved the creation of an SPV for this project.

- h) On April 16, 2018, the stockholders of MWC approved the amendment of the Seventh Article of the Articles of Incorporation to exempt from pre-emptive rights 300.00 million unissued common shares ("carved-out shares") which are reserved or allocated for issuance in one or more transactions or offerings, (i) for properties or assets needed for the business of MWC, or (ii) for cash to acquire properties or assets needed for the business of MWC. The issuance of all or any of the carved-out shares does not require the approval of stockholders.
- i) On April 25, 2018, MWC and MWPVI (collectively the "Consortium") received the Notice of Award from Balagtas Water District (BWD) for the implementation of a joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion and

management of the water supply system and sanitation facilities of the BWD in the Municipality of Balagtas in Bulacan.

Upon completion of the conditions precedent in the Notice of Award, the Consortium and BWD shall form a joint venture company to implement the project that has an estimated capital expenditure program of over ₱400.00 million over the twenty-five (25) year contract period. It is estimated to deliver a billed volume of 22.0 million liters per day by the 25th year.

- j) On April 26, 2018, MWC and MWPVI (collectively the "Consortium") received the Notice of Award from Bulacan Water District (BuWD) for the implementation of a joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply system and sanitation facilities of the BuWD in the Municipality of Bulacan in Bulacan.

Upon completion of the conditions precedent in the Notice of Award, the Consortium and BuWD shall form a joint venture company to implement the project that has an estimated capital expenditure program of over ₱400.00 million over the twenty-five (25) year contract period. It is estimated to deliver a billed volume of 16.0 million liters per day by the 25th year.

On August 16, 2018, the OWCH signed and executed a joint venture agreement with the BuWD. Under the joint venture agreement, OWCH and BuWD shall incorporate a joint venture company, with 90.00% and 10% ownership, respectively, which shall be granted a concession by BuWD for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system and sanitation facilities of the BuWD in the municipality of Bulacan.

- k) On May 16, 2018, 213 grantees subscribed to 10,893,733 common shares at ₱27.31 per share. The subscription price is equivalent to the average closing price of MWC's common shares at the PSE for twenty consecutive trading days ending March 6, 2018, the day the Renumeration Committee of the Board of Directors approved the grants of the ESOWN.
- l) On May 23, 2018, MWC sold to MWPVI its 765,000 common shares of Davao Water comprising approximately 51% of Davao Water's outstanding capital stock in consideration for ₱75.58 million.

On July 2, 2018, MWC sold to MWPVI its 245,000 common shares of Zamboanga Water comprising approximately 70% of Zamboanga Water's outstanding capital stock in consideration for ₱35.81 million.

- m) On June 14, 2018, MWPVI received a Notice to Proceed from the Municipality of Sta. Barbara, Pangasinan following the enactment of the municipality's ordinance granting a franchise to MWPVI for the provision of water supply and the improvement, operation, maintenance, management, financing, and expansion of water supply facilities, and the provision of septage management in Sta. Barbara.

The franchise shall be for a term of twenty-five (25) years and is expected to be operational by 2019.

- n) On July 12, 2018, Laguna Water received the Notice of Award from the Pagsanjan Water District for the implementation of the joint venture project for the design, improvement, upgrade, rehabilitation, and expansion of water supply and sanitation facilities including the financing and construction of such facilities and infrastructure in the service area of the Pagsanjan Water District, and the management, operation, and maintenance of such water supply and sanitation facilities and the provision of the services necessary or incidental thereto in the Pagsanjan Water District's service area.
- o) The voting rights held by the Group in MWC as of September 30, 2018 and December 31, 2017 is equal to 80.2% and 80.4%, respectively.

IMI Group

- a) On January 5, 2018, the 33% share transfer related to the sale by STSN of STSZ to Jinnuo Century Trading Limited was approved by the China government. The remaining share transfers are still in process (see Note 8).

- b) On January 30, 2018, IMI obtained the approval of PSE for a stock rights offer of up to 350 million new common shares to eligible shareholders in order to raise up to ₱5.0 billion proceeds. Under the rights offer, each shareholder is entitled to subscribe to one rights share for every 5.3551 existing common shares held as of record date February 14, 2018. The offer price was determined to be at ₱14.28 per rights share which was based on the 30-day volume-weighted average price of IMI common shares listed at PSE as of February 7, 2018 at a discount of 25.3%. The listing of the shares was completed on March 2, 2018. As a result of the transaction, the ownership interest of the Group increased from 50.7% to 52.1%
- c) On February 20, 2018, the BOD of IMI approved the following:
- Declaration of cash dividend of US\$0.00458 or ₱0.235 per share to all outstanding common shares as of record date of March 7, 2018 payable on March 21, 2018.
 - Increase of IMI's authorized capital stock from ₱2.45 billion to ₱3.0 billion, and the corresponding amendment of the Seventh Article of the Articles of Incorporation. This will be presented to the stockholders for approval at the annual meeting on April 13, 2018.
- d) On April 13, 2018, the stockholders, in IMI's annual stockholders' meeting, approved the increase in the authorized capital stock of the corporation from ₱2.45 billion to ₱3.0 billion and the corresponding amendment of the Seventh Article of the Articles of Incorporation.
- e) On April 9, 2018, VIA Optronics GmbH ("VIA") and Toppan Printing Co., Ltd. ("Toppan") have agreed to form a new joint venture company to serve the market for copper-based metal mesh touch sensors by transferring 65% of the shares of Toppan Touch Panel Products Co., Ltd., a newly formed spin-off from Toppan, to VIA. The name of the new joint venture company is VTS-Touchsensor Co., Ltd. ("VTS").

VTS will develop and manufacture the metal mesh touch sensors in Japan on the existing premises of Toppan. The new setup will strengthen VIA's portfolio of differentiated and value-added sensor technology for touch panels, touch-display modules, display head assemblies, and interactive display systems across multiple markets and segments.

The control concept according to PFRS 10, *Consolidated Financial Statements*, sets out three elements of control consisting of power over investee, exposure or rights to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of these returns. Based on assessment, VIA has control over VTS and needs to consolidate VTS in its consolidated financial statements.

The purchase price allocation for the acquisition of VTS has been prepared on a preliminary basis due to unavailability of certain information to facilitate fair valuation computation, and reasonable changes are expected as additional information becomes available. The provisional goodwill recognized on the acquisition can be attributed to its years of knowledge and experience of market requirements, system-level design, and production in the automotive, consumer and industrial markets to support further development of the core sensor technology.

The provisional fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows:

	Provisional Fair Values (in US\$'000)
Assets	
Receivables	\$185
Inventories	1,244
Property, plant and equipment	97
Intangible assets	5,258
	<u>6,784</u>
Liabilities	
Other noncurrent liabilities	5,254
Net Assets	<u>\$1,530</u>
Non-controlling interest (35%)	(535)
Goodwill	971
Cost of Acquisition	<u>\$1,966</u>

Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*, provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date; and from the acquisition date (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting had been completed from the acquisition date.

Acquisition-related costs, which consists of professional and legal fees, travel and recruitment services amounting to \$1.07 million were recognized as expense in 2018.

From the date of acquisition, VTS contributed \$18.11 million of revenue and \$1.97 million profit before tax to the group.

- f) On April 6, 2017, IMI, through its indirect subsidiary IMI UK, has entered into an agreement with the shareholders of STI for the acquisition of an 80% stake in STI. The closing of the transaction transpired on May 16, 2017 upon completion of pre-closing conditions and regulatory approvals.

In 2017, the purchase price allocation for the acquisition of STI has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation.

IMI finalized the purchase price allocation with the following changes to the provisional values based on additional information subsequently obtained:

Assets	Fair Values	Provisional Values
Cash and cash equivalents	\$4,046	\$4,045
Receivables	11,196	11,605
Inventories	13,534	13,897
Other current assets	3,445	3,951
Property, plant and equipment	5,964	5,984
Intangible asset	1,438	370
	39,623	39,852
Liabilities		
Trade payable and other current liabilities	25,404	24,442
Short and long-term debt	15,108	15,108
Other noncurrent liabilities	1,484	1,838
	41,996	41,388
Net Assets	(\$2,373)	(\$1,536)
Non-controlling interest (20.00%)	475	307
Goodwill	56,624	55,955
Cost of acquisition	\$54,726	\$54,726

The changes in the fair value pertain to the audited balances of STI as of acquisition date. No significant changes were made to the fair value of property, plant and equipment. Management also assessed that there's no existing customer relationship or other intangible asset to be recognized for STI.

- g) As of September 30, 2018, the Company and AITHI/ACI effectively own 52.1% of IMI. The voting rights held by the Group in IMI as of September 30, 2018 and December 31, 2017 is equal to 52.1% and 50.7%, respectively.

ACEHI Group

- a) On June 7, 2018, Ingrid Power Holdings, Inc., a wholly-owned subsidiary of ACEHI was incorporated.
- b) On June 18, 2018, ACE SG received \$10.8 million worth of dividends arising from the payment of additional Sithe fees upon satisfaction of the 30% cumulative loan drawdown milestone for the Dinginin supercritical coal plant project.
- c) On September 7, 2018, ACE Thermal, Inc., a wholly-owned subsidiary of ACEHI was incorporated.
- d) On September 20, 2018, AA Thermal, Inc., a wholly-owned subsidiary of ACEHI was incorporated (see Note 10).

AITHI / ACI Group

- a) On February 5, 2018, AITHI, through one of its subsidiaries, received notice from Kia Motors Asia Regional headquarters that it has considered the Ayala Group as “the preferred bidder” to start negotiations for the Kia distributorship in the Philippines. However, no definitive terms have been reached as of report date.

On May 7, 2018, the Company clarified the news article entitled, “Ayala Group to acquire 65% of Columbian Autocar” posted on philstar.com on May 7, 2018. The Company clarified that discussions on the potential distribution of Kia vehicles are ongoing, and no agreements have been reached nor have any time tables been agreed upon. The Company will make the appropriate disclosure of any definite agreement reached.

- b) On February 24, 2018, AITHI completed its acquisition of a controlling stake in Merlin Solar Technologies, Inc. (Merlin). This transaction was done through AITHI’s subsidiary, ACI Solar Holdings NA, Inc. (ACI Solar), which had previously acquired an 8.2% stake in Merlin in 2016.

Following completion of the transaction, AITHI will have an ownership interest of 98% in Merlin, which will subsequently decrease to 78.2% after issuance, vesting or exercise of option pool.

The provisional values of the identifiable assets and liabilities acquired are as follows: total tangible assets of P298 million, total intangible assets of P934 million, goodwill of P19 million and total liabilities of P243 million.

The purchase price allocation for the acquisition of Merlin has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation. This includes information necessary for the valuation of other intangible assets, if any. Reasonable changes are expected as additional information becomes available. The accounts that are subject to provisional accounting are property, plant and equipment, intangible assets and goodwill or bargain purchase gain. The provisional purchase price allocation will be finalized in 2018 or within one year from the date of closure of this acquisition transaction.

The purchase consideration of ₱751 million upon signing of the agreement was paid in cash and also involves the assumption of debt and other liabilities.

- c) On September 28, 2018, SAIC MAXUS Automotive Co., Ltd. (Maxus) has appointed ACI as the official distributor of Maxus vehicles in the Philippines. Maxus is a wholly owned subsidiary of SAIC Motor Corporation Limited, with an emerging portfolio focused on light commercial vehicles.
- d) On June 1, 2017, ACI, through its subsidiary AC Industrials Singapore Pte. Ltd. (AC Industrials Singapore), has entered into an agreement with the shareholders of MT, a supplier of models, tools and plastic parts based in Ingolstadt, Germany, for the acquisition by AC Industrials Singapore of a 94.90% equity stake and various shareholder and other loans in MT. The said agreement became effective on June 2, 2017. The closing of the transaction transpired on July 5, 2017 upon completion of pre-closing conditions and regulatory approval.

Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*, provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree’s identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the

combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date. The comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting had been completed from the acquisition date.

The values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows (amounts in thousands):

	In EUR	In ₪
Assets		
Cash and cash equivalents	EUR2	₪147
Receivables	3,626	216,654
Inventories	10,382	620,347
Property, plant and equipment	24,994	1,493,389
Other noncurrent assets	257	15,332
	39,261	2,345,869
Liabilities		
Trade accounts payable	11,159	666,761
Long-term debt	25,629	1,531,343
Other noncurrent liabilities	2,954	176,503
	39,742	2,374,607
Net Assets	(EUR481)	₪28,738)
Cost of acquisition	EUR0.001	₪0.060
Less: fair value of net assets acquired	(481)	(28,738)
Goodwill	EUR481	₪28,738
Non-controlling interest (5.10%)	EUR-	₪-

*Translated using the exchange rate at the date of the closing of the transaction (€1:₪=59.75 on July 5, 2017)

AC Industrials has elected to measure non-controlling interest in the acquiree at the proportionate share of the non-controlling interest in the recognized amounts of the acquiree's identifiable net assets. The carrying amount of non-controlling interest changes due to allocation of profit or loss, changes in other comprehensive income and dividends declared for the reporting period.

The goodwill recognized on the acquisition can be attributed to the automotive Tier 1 manufacturing competencies in modelling, cubing, tooling and plastic parts production that MT adds to AC Industrials' portfolio, as well as expected synergies from cross-selling and organizational efficiencies with other AC Industrials companies.

Analysis of cash flows on acquisition follows (amounts in thousands):

Initial purchase consideration	EUR0.001	₪0.060
Cost of acquisition	EUR0.001	₪0.060
Cash consideration	EUR0.001	₪0.060
Assumption of shareholder and other loans	21,897	1,308,346
Less: Cash acquired from the subsidiary	2	147
Net cash flow (included in cash flows from investing activities)	EUR21,895	₪1,308,199

The initial purchase consideration of EUR1 upon signing of the agreement was paid in cash. The transaction also includes put and call options on the non-controlling interests in MT of 5.1%, the exercise of which are subject to certain conditions. The estimated fair value of the financial liability amounted to ₪68.5 million.

Acquisition-related costs, which consist of professional and legal fees, transaction costs, taxes, representation and travel expenses amounting to EUR1.19 million were recognized as expense in 2017.

- e) On various dates between January to September 2018, the Company infused additional capital to AITHI which amounted to ₪3.3 billion to fund its various investments.

BHL Group

- a) On March 8, 2018, AINA, a wholly-owned subsidiary of BHL, through its subsidiary PFIL North America, Inc. (PFIL NA), sold 70% interest of RETC for a total consideration of US\$10.8 million to Marubeni Corporation (see Note 23). As a result of the transaction, BHL Group's ownership interest in RETC decreased from 100% to 30%.

AC Infra Group

- a) On February 12, 2018, the NAIA Consortium composed of Aboitiz InfraCapital, Inc., AC Infrastructure Holdings Corporation, Alliance Global Group Inc., Asia's Emerging Dragon Corporation, Filinvest Development Corporation, JG Summit Holdings, Inc. and Metro Pacific Investments Corporation submitted its unsolicited proposal for the rehabilitation, upgrade, expansion, operation, and maintenance of the Ninoy Aquino International Airport.

The consortium has engaged Changi Airports Consultants Pte. Ltd., a wholly-owned subsidiary of Changi Airports International Pte. Ltd. (and its affiliates, together "CAI Group") and a leading airport consultant and manager in the global aviation market, to provide technical support in the areas of master planning, operations optimization, and commercial development.

On September 13, 2018, the NAIA Consortium has been granted Original Proponent Status from the Department of Transportation and the Manila International Airport Authority for its unsolicited proposal to rehabilitate, upgrade, expand, operate, and maintain the Ninoy Aquino International Airport for a period of 15 years.

Following the grant of Original Proponent Status, the NAIA Consortium's proposal shall be subject to review and approval by the NEDA Board and to a Swiss Challenge in accordance with the requirements of Republic Act No. 7718 or the Build-Operate-Transfer Law.

- b) On February 13, 2018, AC Infra signed an Investment Agreement to invest in a company, Reliant Expressdel Services, Inc. (recently renamed Entrego Fulfillment Solutions, Inc.) that will engage in the provision of fulfillment solutions services. AC Infra will hold up to 60% of the outstanding common shares of the said company while the remaining 40% is to be held by ZALORA's affiliate, Brillant 1257 GmbH & Co. Vierte Verwaltungs Kg (Brillant), a corporation duly organized under the laws of Germany, subject to certain closing conditions.

On August 17, 2018, the transaction has been closed and a shareholders' agreement has been signed by the parties. The Investment Agreement also allowed BPI Capital Corporation and Kickstart Ventures, Inc. to subscribe for up to 1.9% Class A Common Shares each, provided that the total equity interest of the Ayala Shareholder Group in the common shares of the issuer shall amount to 60%.

This investment forms part of Ayala's strategy to develop infrastructure that will result in better efficiencies and improve the fulfillment goals of its existing businesses in real estate, banking, telecommunications, and e-commerce.

The consideration amounted to ₱91.9 million consisting mainly of provisional goodwill. The non-controlling interest have been measured at the proportionate share of the value of the net identifiable assets and liabilities. The purchase price allocation has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation which includes information necessary for the valuation of other intangible assets, if any. The provisional goodwill is subject to reasonable changes, if any, as additional information becomes available and the purchase price allocation has been finalized.

As of September 30, 2018, AC Infra has infused a total of ₱211.9 million to this investment.

- c) On August 13, 2018, a consortium comprised of Unisys Philippines, AC Infra and Aboitiz InfraCapital, Inc. has submitted an unsolicited proposal under RA 7718 (BOT Law) to the Philippine Statistics Authority for the design and development of a national identity infrastructure solution, which is intended to collect, store, maintain, manage, and authenticate identity information of individuals.

The 17-year proposal provides an expedient, comprehensive and long-term solution that will enable the government to realize the full potential of its strategic programs by providing a safe and secure identification and benefits payment mechanism for individuals transacting with government.

- d) On various dates between January to September 2018, the Company infused additional capital to AC Infra which amounted to ₱1.4 billion to fund its various investments.

AEI Group

- a) On January 8, 2018, AEI and iPeople, inc. (iPeople), the listed holding company for the education sector of House of Investments Inc. (HI), a member of the Yuchengco Group of Companies, executed a Non-Binding term sheet for their potential merger. Under the Non-Binding term sheet, the parties agreed to an exclusivity period to complete due diligence, and to finalize the terms and conditions of the proposed merger in year 2018 (see Note 8).

On September 28, 2018, the Executive Committee of AC approved the merger of AEI with iPeople. Under the terms and conditions of the merger, listed iPeople will be the surviving entity. The merger, which shall be completed as a statutory merger in accordance with Philippine law, shall be subject to the approval of the respective Boards of Directors and stockholders of AEI and iPeople as well as securing the necessary regulatory approvals (see Note 22).

- b) In January 2018, AEI subscribed to and paid the amount of ₱82.4 million to APEC Schools, increasing its ownership interest to 70.64% from 67.14%.
- c) On February 8, 2018, AEI and shareholders of National Teachers College (NTC) executed a Share Purchase Agreement for the acquisition of shares in NTC subject to certain closing conditions. NTC is located at Nepomuceno Street, Quiapo, Manila and was founded in 1928, as the first school in the country to offer General Education leading to a Bachelor of Science in Education. It has almost 10,000 students from Basic to Higher education which include Bachelor programs in Elementary and Secondary Education, and over 3,500 Education students in both college and graduate programs. NTC has also established growing Colleges of Accountancy & Business, Arts & Science, Hospitality Management and Information Technology, and a School of Advanced Studies.

On April 30, 2018, AEI assumed ownership of approximately 96% of the voting shares of NTC for a total consideration of ₱1.16 billion. With NTC added to the existing AEI's portfolio currently composed of APEC Schools and University of Nueva Caceres (UNC), AEI's combined student population is now approximately 38,000 students.

Provisional identifiable assets and liabilities acquired are as follows: total tangible assets of ₱697million, total intangible assets of ₱664 million and total liabilities of ₱200 million.

The purchase price allocation for the acquisition of NTC is preliminary while information to facilitate fair value computation are being finalized. This includes information necessary for the valuation of other intangible assets, if any. Reasonable changes are expected as additional information becomes available. The accounts that are subject to provisional accounting are property, plant and equipment, intangible assets and goodwill or bargain purchase gain. The provisional purchase price allocation will be finalized within one year from the date of closure of this acquisition transaction.

The purchase consideration of ₱1.16 billion million was paid in cash upon signing of the share purchase agreement on April 30, 2018.

- d) On various dates between January to September 2018, the Company infused additional capital to AEI which amounted to ₱1.4 billion to fund its various investments.

AVHC

- a) On January 12, 2018, AVHC, through Total Jade Group Ltd., a wholly-owned subsidiary of BHL, invested an additional US\$0.77 million to Alibaba's New Strategic Retail Opportunities Fund.

AHCHI

- a) On various dates between January to September 2018, the Company infused additional capital to AHCHI which amounted to ₱389.8 million to fund its various investments

Material partly-owned subsidiaries

The summarized financial information of subsidiaries that have material non-controlling interest is provided below. This information is based on amounts before intercompany eliminations.

	September 2018		December 2017	
	(Unaudited)		(Audited)	
	(In Millions)			
Ayala Land, Inc. and Subsidiaries				
Current assets	₱	246,633	₱	218,561
Non-current assets		359,764		355,431
Current liabilities		199,542		184,623
Non-current liabilities		200,598		197,105
Equity				
Attributable to owners of the parent		175,684		166,755
Attributable to non-controlling interest		30,573		25,509
Revenue		119,681		98,927 *
Net income				
Attributable to owners of the parent		20,770		17,810 *
Attributable to non-controlling interest		3,225		2,880 *
Other comprehensive income		(90)		62 *
Manila Water Co. Inc. and Subsidiaries				
Current assets	₱	16,149	₱	12,867
Non-current assets		105,753		89,615
Current liabilities		22,222		10,826
Non-current liabilities		46,360		43,095
Equity				
Attributable to owners of the parent		52,233		47,555
Attributable to non-controlling interest		1,087		1,006
Revenue		14,429		13,441 *
Net income				
Attributable to owners of the parent		4,926		4,892 *
Attributable to non-controlling interest		81		107 *
Other comprehensive income		737		1,144 *
Integrated Microelectronics, Inc. and Subsidiaries				
Current assets	US\$	688	US\$	580
Non-current assets		359		342
Current liabilities		473		452
Non-current liabilities		169		193
Equity				
Attributable to owners of the parent		399		274
Attributable to non-controlling interest		6		3
Revenue		1,011		795 *
Net income				
Attributable to owners of the parent		41		24 *
Attributable to non-controlling interest		2		- *
Other comprehensive income		(8)		17 *

* Based on unaudited September 30, 2017.

As of September 30, 2018 (unaudited), the proportion of economic ownership held by material non-controlling interest of ALI, MWC and IMI are 53.0%, 48.6% and 47.9%, respectively.

4. Cash and Cash Equivalents

This account consists of the following:

	September 2018	December 2017
	(Unaudited)	(Audited)
	(In Thousands)	
Cash on hand and in banks	₱ 21,102,190	₱ 21,448,048
Cash equivalents	51,552,284	42,811,231
	₱ 72,654,474	₱ 64,259,279

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

The Group maintains cash and cash equivalents with Bank of the Philippine Islands (BPI), an associate of the Company and related party of the Group, amounting to ₱38.8 billion and ₱32.2 billion, as of September 30, 2018 (unaudited) and December 31, 2017 (audited), respectively (see Note 21).

5. Short-term Investments

This account consists of the following:

	September 2018	December 2017
	(Unaudited)	(Audited)
	(In Thousands)	
Money market placements	₱ 6,546,201	₱ 5,400,239

Short-term investments pertain to money market placements made for varying periods of more than three months but less than one year and earn interest at the respective short-term investment rates.

The Group maintains short-term investments with BPI amounting to ₱1.4 billion and ₱1.3 billion, as of September 30, 2018 (unaudited) and December 31, 2017 (audited), respectively (see Note 21).

6. Accounts and Notes Receivable – net

This account consists of the following:

	September 2018 (Unaudited)	December 2017 (Audited)
	(In Thousands)	
Trade:		
Real estate	₱ 101,908,578	₱ 100,885,847
Electronics manufacturing	15,712,024	13,022,906
Automotive	2,525,933	5,532,186
Water infrastructure	2,913,505	2,234,960
Power generation	874,925	1,151,909
Information technology and BPO	276,573	290,915
International and others	16,701	22,518
Advances to contractors and suppliers	20,070,996	23,886,667
Advances to other companies	29,475,963	19,029,334
Receivable from related parties (Note 21)	6,504,034	3,070,255
Receivable from officers and employees (Note 21)	1,503,358	1,479,532
Dividend receivable	4,871	1,153,206
Receivable from Bonifacio Water Corporation (BWC)	431,192	501,014
Others	1,520,122	300,692
	183,738,775	172,561,941
Less allowance for doubtful accounts	2,905,538	2,678,761
	180,833,237	169,883,180
Less noncurrent portion	46,842,008	45,774,058
	₱ 133,991,229	₱ 124,109,122

The aging analysis of accounts and notes receivables that are past due but not impaired follows:

September 30, 2018 (Unaudited)

	Neither Past Due Nor Impaired	Past Due But Not Impaired					Sub-Total	Individually Impaired	TOTAL
		<30 days	30-60 days	61-90 days	91-120 days	>120 days			
Trade:									
Real estate	₱ 90,638	₱ 3,039	₱ 1,439	₱ 605	₱ 670	₱ 5,082	₱ 10,836	₱ 435	₱ 101,909
Electronics manufacturing	13,337	1,496	327	95	154	271	2,343	32	15,712
Water infrastructure	2,914	-	-	-	-	-	-	-	2,914
Automotive	1,097	407	243	214	111	394	1,370	59	2,526
Power generation	875	-	-	-	-	-	-	-	875
Information technology and BPO	209	34	11	4	18	-	67	-	277
International and others	17	-	-	-	-	-	-	-	17
Receivable from related parties	3,897	950	564	282	154	882	2,832	22	6,752
Concession financial receivable	1,575	-	-	-	-	-	-	-	1,575
Receivable from officers and employees	1,261	27	25	7	2	180	241	1	1,503
Receivable from BWC	431	-	-	-	-	-	-	-	431
Dividend receivable	5	-	-	-	-	-	-	-	5
Others	2,183	121	-	-	0	-	121	-	2,304
TOTAL	₱ 118,440	₱ 6,074	₱ 2,610	₱ 1,207	₱ 1,109	₱ 6,810	₱ 17,810	₱ 549	₱ 136,799

December 31, 2017 (Audited)	₱ 111,826	₱ 4,693	₱ 2,829	₱ 2,761	₱ 2,571	₱ 5,431	₱ 18,285	₱ 919	₱ 131,030
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The Group's Advances to other companies account mainly pertain to ALI's advances to third party joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. ALI Group does not intend that these advances will be repaid but will instead be recorded as part of the project costs upon development or as part of consideration for purchases of land. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur. This account also includes Receivables from MRT Development

Corporation (MRTDC) shareholders which pertains to interest-bearing advances to MRTDC equivalent to the Pre-2006 Development Rights Payment (DRP) Payables and the Residual Depot DRP which is due more than one year, in relation to the funding and repayment agreement. Certain advances are interest bearing and subject to terms as agreed between the parties.

Advances to contractors and supplier account are recouped every progress billing payment date depending on the percentage of accomplishment or delivery.

Increase in receivable from related parties pertain to real estate group accounts (see Note 21). Others account mainly include accrued interest receivable and other non-trade accounts from non-related entities which are non-interest bearing and are due and demandable.

Also, the real estate group sold real estate receivables on a without recourse basis to partner mortgage banks, which include BPI Family Savings Bank, a related party, totaling to ₱10,181 million in 2018 and ₱7,711 million in 2017. These were sold at discount with total proceeds of ₱9,599 million and ₱7,321 million, respectively. The Group recognized loss on sale, under "Other Charges" amounting to ₱582 million and ₱391 million in 2018 and 2017, respectively.

Provision for Doubtful Accounts amounted to net provision of ₱155.1 million and ₱120.0 million for the periods ended September 30, 2018 and 2017 (both unaudited), respectively, increase mainly coming from MWC's Boracay and Laguna units, form part of the Group's General and Administrative Expenses.

7. Inventories

This account consists of the following:

	September 2018 (Unaudited)	December 2017 (Audited)
	(In Thousands)	
Real estate inventories		
At cost	₱ 82,768,170	₱ 61,771,287
At NRV	9,065	9,065
Vehicles	4,426,821	3,601,894
Finished goods	-	1,908,737
Work-in-process	-	1,440,278
Parts and accessories	538,183	460,429
Materials, supplies and others	12,434,575	7,682,790
	100,176,814	76,874,480
Less: Allowance for inventory obsolescence and decline in value*	397,566	331,942
	₱ 99,779,248	₱ 76,542,538

*Excluding allowance for real estate inventories

The increase in materials, supplies and others is related to impact of adoption of PFRS 15 of IMI group which consequently decrease the finished goods and work-in-process accounts. IMI is assessed to derive revenues from contracts with customers and not as manufacturer of goods or product. Impact of PFRS 15 on inventories is summarized as follows (in thousand pesos):

	September 2018 (Unaudited)	December 2017 (Audited)
Finished goods	₱ 1,155,589	₱ 1,908,737
Work-in-process	1,843,273	1,440,278
PFRS 15 Reclass*	₱ 2,998,862	
Materials, supplies and others	9,435,713	7,682,790
	₱ 12,434,575	₱ 11,031,805

*all IMI's inventories are determined to be for contract services, not for manufacture of goods.

Furthermore, the increase in real estate inventories is in connection with ALL's adjustment in line with the latest guidelines on land classification per PIC Q&A No. 2018-11 (see Note 9).

The Group's provision for inventory obsolescence amounted to ₱43.4 million and ₱16.5 million for the period ended September 30, 2018 and 2017 (both unaudited), respectively. These form part of the consolidated General and Administrative Expenses.

8. Other Current Assets and Other Noncurrent Assets

These accounts consist of the following:

	September 2018 (Unaudited)	December 2017 (Audited)
	(In Thousands)	
Input VAT	₱ 19,521,354	₱ 20,403,191
Prepaid expenses	10,788,226	12,480,978
Financial assets at FVPL	7,592,951	6,063,585
Creditable withholding tax	4,625,895	3,671,713
Concession financial receivable	479,371	197,044
Deposits in escrow	263,308	259,898
Derivative assets	767	85,347
Contract assets	3,410,499	-
Others	5,301,729	2,162,940
Other current assets	₱ 51,984,100	₱ 45,324,696
Other noncurrent assets	₱ 20,934,815	₱ 15,489,449
Investments in bonds and other securities	4,285,554	4,466,367
Pension asset	87,112	97,952
Other noncurrent assets	₱ 25,307,481	₱ 20,053,768

In adopting PFRS 15, Contract Assets account represents entity's right to payment for services already transferred to a customer if that right to payment is conditional on something other than the passage of time. Contract assets are reclassified as a receivable when the entity's right to payment is unconditional. The increase in contract assets is attributable to the increase in undelivered firm customer orders, which are either in-progress or completed. Summary of impact of PFRS 15 to contract assets, inventories, sales and costs of sales are as follows (in thousand pesos):

	Beginning balances	PFRS 15 Reclass/ Adjustment	Others (CTA, etc.)	Ending balances
Finished goods	₱ 1,908,737			₱ 1,155,589
Work-in-process	1,440,278	(711,905) [a]	361,753	1,843,273
Contract Assets	₱ 2,418,532 [b]	836,219 [a]	155,747	₱ 3,410,499

[a] refer to Section 2.8 Variances Report

[b] refer to Note 2 Summary of Accounting Policies

For 2018, Others account of the Other current assets includes the non-current assets held for sale, which pertains to the assets of AEI after the Group publicly announced the potential merger of AEI with iPeople, Inc. (see Note 3).

Other noncurrent assets includes deferred charges (project-related costs already paid but not yet consumed in the actual construction activities which are costs as the related awarded project progresses); noncurrent deposits and advances for projects (which include escrow and security deposits on land leases, electric and water meter deposits, advance rental payments, noncurrent prepaid management fees, commissions and advertising and promotions); deferred Foreign Currency Differential Adjustments (FCDA) which refers to the net unrecovered amounts from (amounts for refund to) customers of MWC Group for realized losses (gains) from payments of foreign loans based on the difference between the drawdown of rebased rate versus the closing rate at payment date; leasehold rights (assigned rights of Solienda, Inc. to the contracts of lease of

San Julio Realty, Inc. with San Carlos Sun Power, Inc., San Carlos Solar Energy, Inc. and San Carlos Biopower Inc.; and others which pertain to prepayment for expenses that is amortized for more than one year and long-term miscellaneous accounts.

9. Land and Improvements

This account consists of properties for future development and improvement eventually for transfer to real estate inventories for sale. This account decreased from ₱93,869 million as of December 31, 2017 (audited) to ₱170,525 million as of September 30, 2018 (unaudited) arising from ALI's adjustment in connection with the following provisions:

PIC Q&A No. 2018-11, correct classification of land held by real estate developers.

The Q&A requires land approved by the Board of Directors of a real estate developer to be held for sale in the ordinary course of business to be classified as inventory in accordance with PAS 2, Inventories. Otherwise, the land should be accounted for as investment property in accordance with PAS 40, Investment Property.

10. Investments in Associates and Joint Ventures

Investments in associates and joint ventures are accounted for under the equity method of accounting. Major associates and joint ventures and the related percentages of economic ownership as of September 30, 2018 are as follows:

	% of Economic Ownership		Carrying Amounts	
	September 2018 (Unaudited)	December 2017 (Audited)	September 2018 (Unaudited)	December 2017 (Audited)
Domestic:			(In Millions)	
Bank of the Philippine Islands (BPI)	32.9	32.5	₱ 100,756	₱ 77,495
Liontide Holdings Inc. (LHI)*	78.1	78.1	44,360	41,855
Globe Telecom, Inc. (Globe)*	30.9	31.0	22,135	21,194
GNPower Mariveles Coal Plant Ltd. Co (GMCP)	20.4	20.4	8,283	8,006
OCLP Holdings, Inc. (OHI)	21.0	21.0	7,940	7,738
Emerging City Holdings, Inc. (ECHI)*	50.0	50.0	4,131	3,916
GNPower Dinginin Ltd. Co. (GNP Dinginin)*	50.0	50.0	3,951	2,266
ALI-ETON Property Development Corporation*	50.0	50.0	1,728	604
Light Rail Manila Holdings, Inc. (LRMHI)	50.0	50.0	3,075	1,825
South Luzon Thermal Energy Corp. (SLTEC)*	35.0	35.0	3,034	2,704
Berkshire Holdings, Inc. (BHI)*	50.0	50.0	2,002	1,910
Bonifacio Land Corporation (BLC)	10.0	10.0	1,479	1,395
Cebu District Property Enterprise, Inc. (CDPEI)*	35.0	42.0	1,464	1,476
AKL Properties, Inc.*	50.0	-	1,418	-
Asiacom Philippines, Inc. (Asiacom)*	60.0	60.0	1,308	1,302
Philippine Wind Holdings Corporation (PWHC)*	42.9	42.9	961	1,006
BF Jade E-Services Philippines, Inc. (BF Jade/Zalora)	44.2	44.2	804	1,051
Alveo-Federal Land Communities, Inc.*	50.0	50.0	748	661
Rize-Ayalaland (Kingsway) GP Inc. (Rize-Ayalaland)	49.0	49.0	674	674
Generika Group *	50.0	50.0	493	500
Globe Fintech Innovations, Inc. (GFI/Mynt)	10.0	10.0	275	461
Foreign:				
Star Energy Salak-Darajat B.V. (Salak-Darajat) (incorporated in Indonesia)	19.8	19.8	9,769	9,045
Eastern Water Resources Development and Management Public Company Limited (East Water) (incorporated in Thailand)	18.7	-	8,877	-
Thu Duc Water B.O.O. Corporation (TDW) (incorporated in Vietnam)	49.0	49.0	3,107	2,725
Kenh Dong Water Supply Joint Stock Company (KDW) (incorporated in Vietnam)	47.4	47.4	2,836	2,574
UPC Renewables Australia (incorporated in Australia)*	50.0	-	1,586	-
Saigon Water Infrastructure Joint Stock Company (Saigon Water) (incorporated in Vietnam)	38.0	38.0	1,274	1,151
UPC Sidrap HK Ltd. (incorporated in Indonesia)*	11.0	11.0	484	321
New Energy Investments Corporation (incorporated in Vietnam)*	50.0	-	432	-
UPC Renewables Asia III Ltd. (incorporated in Indonesia)*	51.0	51.0	99	1,180
Modular Construction Technology Bhd. (MCT) (incorporated in Malaysia)	-	33.0	-	7,471
Others	Various	Various	1,043	143
			₱ 240,526	₱ 202,649

* Joint ventures

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's investments in associates and joint ventures is the Philippines.

Except as discussed in subsequent notes, the voting rights held by the Group in its investments in associates and joint ventures are in proportion to its ownership interest.

The following are financial highlights and significant transactions of associates and joint ventures, part of which affected the Company's investments in its associate and joint venture:

BPI Group

BPI's Consolidated Statements of Condition

	September 2018 (Unaudited)		December 2017 (Audited)	
	(In Millions)			
Total Resources	₱	1,960,621	₱	1,903,905
Total Liabilities	₱	1,711,784	₱	1,720,354
Capital Funds Attributable to the Equity Holders of BPI		245,931		180,689
Capital Funds Attributable to the Noncontrolling Interest		2,906		2,862
Total Liabilities and Capital Funds	₱	1,960,621	₱	1,903,905

BPI's Consolidated Statements of Income

	September 2018 (Unaudited)		September 2017 (Unaudited)	
	(In Millions, except earnings per share)			
Interest Income	₱	57,580	₱	48,460
Other Income		16,009		17,541
Total Revenues		73,589		66,001
Operating Expenses		32,084		27,861
Interest Expense		16,703		12,959
Impairment Losses		2,845		3,609
Provision for Income Tax		4,792		4,272
Total Expenses		56,424		48,701
Net Income for the Period	₱	17,165	₱	17,300
Attributable to:				
Equity Holders of BPI	₱	17,010		17,048
Noncontrolling Interest		155		252
	₱	17,165	₱	17,300
EPS	₱	3.78	₱	4.33

- a) On January 17, 2018, the BOD of BPI approved the offering for subscription of up to 567.0 million shares of BPI by way of a stock rights offering of up to ₱50.0 billion.
- b) On January 19, 2018, total cash dividends paid to common stockholders of record as of December 28, 2017 amounted to ₱3.5 billion.
- c) On April 25, 2018, BPI completed its ₱50 billion stock rights offering, issuing 558,659,210 new common shares (ratio of 1:7.0594 common shares as of record date April 6, 2018) at ₱89.50 per share. The issuance received strong support from domestic and foreign shareholders such that a total of 683,258,317 shares were subscribed, representing an oversubscription of 22.3%.

Ayala subscribed to its proportionate and unsubscribed rights share, slightly raising its effective ownership in BPI to 48.6%.
- d) The effective voting rights held by the Group in BPI as of September 30, 2018 and December 31, 2017 is equal to 49.8% and 49.4%, respectively.
- e) The Company's share in the net identifiable assets of BPI as of September 30, 2018 (unaudited) amounted to ₱82.0 billion. Dividends received from BPI for the period ended September 30,

2018 (unaudited) amounted to ₱1.3 billion. The fair market value of the Company's investment in BPI as of September 30, 2018 (unaudited) amounted to ₱123.6 billion.

LHI

- a) In July 2018, LHI completed the subscription to 112,191,314 shares proportionate and unsubscribed rights share in BPI's stock right offering. It secured a ₱10.0 billion loan from Banco de Oro to fund this investment. This loan bears 5.9134% interest per annum for seven years maturing on April 20, 2025.
- b) As of September 30, 2018, the Company's direct ownership in LHI is equal to 78.1%, while LHI's direct ownership in BPI is equal to 20.1%. The fair value of BPI shares held by LHI amounted to ₱75.3 billion as of September 30, 2018 (unaudited). The Company and GIC Special Investments Pte. Ltd., the entity controlling Arran Investment Pte. Ltd., as joint venture partners, agreed to vote its BPI shares based on the common position reached jointly by them as shareholders.

Globe Group

Globe's Consolidated Statements of Financial Position

	September 2018	December 2017
	(Unaudited)	(Audited)
	(In Millions)	
Current Assets	₱ 55,405	₱ 57,515
Noncurrent Assets	225,952	220,251
Total Assets	₱ 281,357	₱ 277,766
Current Liabilities	₱ 85,511	₱ 79,457
Noncurrent Liabilities	126,199	131,751
Equity Attributable to Equity Holders of the Parent	69,605	66,515
Equity Attributable to Noncontrolling Interest	42	43
Total Liabilities and Equity	₱ 281,357	₱ 277,766

Globe's Consolidated Statements of Income

	September 2018	September 2017
	(Unaudited)	(Unaudited)
	(In Millions, except earnings per share)	
Revenues	₱ 111,772	₱ 100,454
Other Income (Losses)	1,378	2,121
Total Revenues	113,150	102,575
Costs and Expenses	90,886	84,312
Provision for Income Tax	7,107	5,282
Total Expenses	97,993	89,594
Net Income	₱ 15,157	₱ 12,981
Total Net Income Attributable to:		
Equity Holders of the Parent	₱ 15,154	12,987
Noncontrolling Interest	3	(6)
Net Income	₱ 15,157	₱ 12,981
EPS:		
Basic	₱ 110.71	₱ 94.58
Diluted	₱ 110.31	₱ 94.40

- a) On July 19, 2018, the National Telecommunications Commission released Memorandum Circular (MC) no. 05-07-2018 for the amendment of interconnect charge for voice from ₱2.50 per minute to ₱0.50 and text messaging rates from ₱0.15 per message to ₱0.05. This memorandum circular shall take effect fifteen days after publication.
- b) On August 7, 2018, the BOD of Globe approved the declaration of the third quarter cash dividend of ₱22.75 per common share, payable to common stockholders of record as of August 24, 2018. Total dividends amounting to ₱3.00 billion will be payable September 6, 2018.
- c) The effective voting rights held by the Group in Globe as of September 30, 2018 and December 31, 2017 is equal to 46.7% and 46.8%, respectively.
- d) The Company's share in the net identifiable assets of Globe as of September 30, 2018 (unaudited) amounted to ₱21.5 billion. Dividends received from Globe for the period ended September 30, 2018 (unaudited) amounted to ₱2.8 billion. The fair value of the Company's investment in Globe as of September 30, 2018 (unaudited) amounted to ₱90.5 billion.

ALI Group

- a) SIAL CVS Retailers, Inc., FamilyMart Co., Ltd., and ITOCHU Corporation have concluded the transaction to sell 100% of the outstanding shares of Philippine FamilyMart CVS, Inc. (PFM) to P-H-O-E-N-I-X Petroleum Philippines, Inc. (PNX), further to a Memorandum of Agreement (MOA) entered into by the parties last October 30, 2017.

PFM is the official Area Franchisee of the Family Mart brand of convenience stores in the Philippines, with a current network of 67 company-owned and franchised stores all over the country. PNX is the leading independent and fastest-growing oil company in the Philippines, with a wide network of retail stations and commercial and industrial clients all over the Philippines. Prior to this transaction, SIAL CVS Retailers, Inc., a 50-50 joint venture company between ALI Capital Corp. (a 100% subsidiary of ALI) and SSI Group, Inc. (SSI), owned 60% of PFM, while Japanese companies, FamilyMart Co., Ltd. and ITOCHU Corporation, owned 37.6% and 2.4% respectively.

The transaction was approved by the PCC last January 3, 2018.

MWC Group

- a) On February 19, 2018, MWC signed a Share Purchase Agreement with Electricity Generating Public Company Limited (EGCO) to acquire EGCO's 18.72% equity in Eastern Water Resources Development and Management Public Company Limited (East Water). The closing of the acquisition is subject to the fulfillment of certain conditions precedent. The MWC intends to finance the transaction through internally generated funds and bank debt.

East Water is a publicly listed company whose shares are traded in the Stock Exchange of Thailand. It is engaged in the provision of raw water and tap water since 1992 in the eastern seaboard of Thailand.

On March 14, 2018, Manila Water (Thailand) Co., Ltd. (MWTC) acquired 311,443,190 ordinary shares in East Water representing 18.72% equity of East Water.

- b) On March 7, 2018, PT. Manila Water Indonesia (PT MWI), a subsidiary of MWC in Indonesia, has paid the purchase price of 4,478 shares of PT. Sarana Tirta Ungaran (PT STU) following the signing of the Share Purchase Agreement with PT. Triguna Rapindo Mandiri which will allow PT MWI to own twenty percent (20%) of the outstanding capital stock of PT STU. The total cost of acquisition is IDR10 billion (approximately ₱40.0 million) that was paid through internally generated funds.

PT STU is a bulk water supply company servicing PDAM Kabupaten Semarang and industrial customers in Bawen, located in Ungaran area of Semarang Regency, Central Java Province, Indonesia, with a capacity of 21.5 million liters per day. Its customers include PT. APAC Inti Corpora, a 100-hectare textile and garment manufacturing company.

Disclosures on the acquisition date fair value and carrying value of the assets acquired and liabilities assumed of EGCO and PT STU and any goodwill or gain from bargain purchase are not yet available as of the report date.

ACEHI Group

- a) In January 2018, ACEHI, in partnership with BIM Group of Vietnam, agreed to jointly develop over 300MW of solar power projects in Ninh Thuan province, Vietnam.

On January 22, 2018, AC Energy Vietnam Investments PTE. LTD. (ACEV), a wholly-owned subsidiary of AC Energy International Pte Ltd. (ACEHI SG), entered into a 50-50 joint venture with AMI Renewables Energy Joint Stock Company (AMI RE JSC), a joint stock company incorporated in Vietnam, to invest in New Energy Investments Corporation (NEI), a joint stock company with a 100% ownership shares in AMI Energy Khanh Hoa Joint Stock Company (AMI KH JSC), a 50MWp Solar Farm in Khanh Hoa, in AMI Energy Binh Thuan Joint Stock Company (AMI BT JSC), a 50MWp Solar Farm in Binh Thuan and in B&T Windfarm Joint Stock Company (B&T QB JSC), a 200MW Wind Farm in Quang Binh, all of which are situated in Vietnam.

On June 9, 2018, the Ayala Group and Quang Bihn province of Vietnam signed a memorandum of understanding to develop around 352-megawatts of wind projects with project cost of up to \$493 million. Sizing of the wind farm is still subject to further review and the projects are still in the pre-development stage.

On June 29, 2018, the Company clarified the news article entitled, "Ayala to build big Vietnam Wind Project" posted in manilastandard.net on June 28, 2018. The Company confirmed that the Ayala Group and Quang Bihn province of Vietnam signed a memorandum of understanding to develop a wind project. Though, the sizing of the wind farm is still subject to further review and that the project is still in pre-development stages.

On August 13, 2018, ACEHI in partnership with the BIM Group of Vietnam signed engineering, procurement and construction as well as financing documents for the development of BIM Solar Power Plants in Ninh Thuan province, Vietnam.

- b) On March 20, 2018, Presage Corporation, a wholly-owned subsidiary of ACEHI and Zabaleta & Co. Inc. entered into a share purchase agreement for the acquisition of 21,484 common shares in Negros Island Biomass Holdings (Isla Bio). This represents 42.97% interest in the company. Isla Bio is the entity that holds interests in the 3 biomass plants in Negros – San Carlos BioPower, South Negros BioPower and North Negros BioPower.
- c) On April 30, 2018, AC Energy International Pte. Ltd., a wholly owned subsidiary of ACEHI, and Jetfly Asia Pte. Ltd. executed a Share Sale Purchase Agreement for the acquisition of 25% interest in The Blue Circle Pte. Ltd. (TBC). TBC has a platform of wind projects in the Southeast.
- d) On May 23, 2018, in a press statement, ACEHI announced that it will participate in the Australian renewables market through a joint venture with international renewable energy developer, UPC Renewables. ACEHI is investing USD 30M for a 50% ownership in UPC's Australian business and is also providing a USD 200M facility to fund project equity.

UPC Renewables Australia is developing the 1,000 MW Robbins Island and Jims Plain projects in North West Tasmania and the 600 MW New England Solar Farm located near Uralla in New South Wales. UPC Renewables Australia also has a further development portfolio of another 3,000 MW's located in NSW, Tasmania and Victoria.

- e) On May 21, 2018, the Company confirmed the news article entitled "Ayala selling \$1 billion coal plants" posted in manilastandard.net on May 20, 2018. ACEHI plans to sell as much as 50% of its thermal or coal energy assets. ACEHI's entire power generation portfolio of 1,600 megawatts carries an estimated value of \$2.6 billion (₱135 billion), hence, the sale of 50% of the coal assets will raise \$1 billion. Coal plants account for 80% of ACEHI's total attributable power generation capacity. The sale aims to balance ACEHI's renewable and thermal portfolios and raise capital to support regional expansion. ACEHI wants a portfolio of 50 % renewable energy projects and 50 % thermal generation assets and was looking to achieve the balanced generation mix by 2025.

ACEHI plans to exceed 5,000 MW of power generation capacity by 2025 and was prepared to invest 'over \$2 billion of equity' to reach its 5-GW generation portfolio target.

On September 26, 2018, the Company confirmed the news article entitled "Aboitiz 'likely buyer' of Ayala's \$1-B coal plant assets" posted in Manila Bulletin (Internet Edition) on September 25, 2018. ACEHI is in discussions with Aboitiz Power Corp. and will provide updates in due course.

- e) Effective January 29, 2018, ACE Mariveles Power Ltd. Co., a wholly-owned subsidiary of ACEHI, became the legal and registered owner of the limited partnership interest in GNPowder Mariveles Coal Plant Ltd. Co. (GMCP).

On September 24, 2018, ACEHI transferred 100% of its limited partnership interests in each of ACE Mariveles Power Ltd. Co. and Dinginin Power Holdings Ltd. Co. to AA Thermal, Inc. The transfer is part of ACEHI's restructuring plan for its thermal assets.

On September 25, 2018, ACEHI and Arlington Mariveles Netherlands Holding BV. (a wholly-owned affiliate of ACEHI) signed subscription agreements for shares of stock with AA Thermal, Inc.

On September 26, 2018, Aboitiz Power entered into a share purchase agreement with Arlington Mariveles Netherlands Holding BV, an affiliate of ACEHI, and a shareholders' agreement with ACEHI, for the proposed acquisition of a 49% voting stake and 60% economic stake in AA Thermal.

Closing of the transaction is subject to the satisfaction of certain conditions precedent, including the approval by the Philippine Competition Commission. The transaction was valued at USD 579.2 million.

The AA Thermal platform will initially consist of AC Energy's limited partnership interests in GMCP, the owner and operator of an operating 2x316 MW coal plant in Mariveles, Bataan, and in GNPowder Dinginin Ltd. Co., the developer and owner of a 2x668 MW supercritical coal plant project in Dinginin, Bataan, which is currently under construction.

AVHC

- a) As of January 31, 2018, the parties, BF Jade, AVHC, ALI, Kickstart and BPI Capital, completed the post-closing conditions of the acquisition of BF Jade and made their respective capital contributions to BF Jade. AVHC paid ₱334.7 million while AMSI, Inc., BPI Capital and Kickstart paid ₱14.8 million respectively.

11. Intangible Assets and Deferred Tax Assets

	September 2018 (Unaudited)	December 2017 (Audited)
	(In Thousands)	
Intangible assets	₱ 16,435,188	₱ 16,705,000
Deferred tax assets - net	₱ 14,484,675	₱ 12,720,910

Increase in deferred tax assets is related to additional deferred tax assets of ALI's leasing group.

12. Investment Properties and Property, Plant and Equipment

	September 2018 (Unaudited)	December 2017 (Audited)
	(In Thousands)	
Investment Properties	₱ 235,415,085	₱ 137,657,633
Property, plant and equipment - net	₱ 95,793,403	₱ 85,430,631

Investment Properties account comprises completed and under construction properties or re-development that are held to earn rentals, and are not occupied by the companies in the Group. These properties include parcels of land, buildings and other real estate properties. The account includes Investment in Land, ₱95,228 million and ₱20,580 million as of September 30, 2018 (unaudited) and December 31, 2017 (audited), respectively; Investment in Building, ₱90,518 million and ₱67,417 million as of September 30, 2018 (unaudited) and December 31, 2017 (audited), respectively; and Construction-in-Progress, ₱49,669 million and ₱49,661 million as of September 30, 2018 (unaudited) and December 31, 2017 (audited), respectively; net of accumulated depreciation and amortization and impairment loss.

Increase in investment properties was attributable to ALI Group's expansion projects mainly on malls, office properties and certain land development and in connection with their adjustment in line with the latest guidelines on land classification per PIC Q&A No. 2018-11 (see Note 9).

Increase in property, plant and equipment pertains to ACEHI's construction of power plants for GNP Kauswagan's coal unit; ALI's consolidation of MCT; and IMI's and MWC's expansion projects.

13. Service Concession Assets

The Company has a concession agreement with the DPWH while the MWC Group has concession agreements with MWSS, Provincial Government of Laguna, TIEZA and Clark Development Corporation. These concession agreements set forth the rights and obligations of the Parent Company and MWC Group throughout the concession period.

MWC Group

In March 2012, MWC submitted to MWSS a business plan embodying its rate rebasing proposals for charging year 2013. The rate rebasing activity is done every five (5) years. The MWSS conducted a review of the proposal including MWC's last five (5) years' financial performance. The financial review process extended up to the third quarter of 2013. On September 10, 2013, the MWSS-RO issued Resolution No. 13-09-CA providing for a negative rate rebasing adjustment of 29.47% on MWC's 2012 average basic water rate of ₱24.57 per cubic meter which shall be implemented in five (5) equal tranches of negative 5.894% per charging year. MWC objected to the MWSS' Rate Rebasing determination and formally filed its Dispute Notice on September 24, 2013, before a duly-constituted Appeals Panel, commencing the arbitration process, as provided under Section 12 (in relation to Section 9.4 of the Concession Agreement).

On December 10, 2013, the MWSS BOT, through MWSS-RO Resolution No. 13-012 CA, approved the implementation of a status quo for MWC's Standard Rates including FCDA until such time that the Appeals Panel has rendered a final award on the 2013 Rate Rebasing determination.

On April 21, 2015, MWC received the final award of the Appeals Panel in the arbitration which final award included the following tariff component determination:

- a. ₱28.1 billion Opening Cash Position (OCP) which restored ₱11.0 billion from the September 2013 OCP determination of MWSS of ₱17.1 billion;
- b. ₱199.6 billion capital expenditures and concession fees which restores ₱29.5 billion from the September 2013 future capital and concession fee expenditure of ₱170.1 billion;
- c. 7.61% Appropriate Discount Rate (ADR) which was an improvement of 79 bps from the post-tax ADR of 6.82% in September 2013; and
- d. Exclusion of corporate income tax from cash flows beginning January 1, 2013.

Consequently, the final award resulted in a rate rebasing adjustment for the period 2013 to 2017 of negative 11.05% on the 2012 basic average water charge of ₱25.07 per cubic meter. This adjustment translates to a decrease of ₱2.77 per cubic meter from the tariff during the intervening years before the 2018 rate rebasing. Annual CPI adjustments will continue to be made consistent with the MWC's Concession Agreement with MWSS.

On June 14, 2018, the Metropolitan Waterworks and Sewerage System Board of Trustees (MWSS BOT) approved the FCDA adjustment based on the exchange rates of USD1: ₱52.0986 and JPY1: ₱0.4847. The FCDA component of the water bill will be adjusted to 6.20% of the basic charge effective July 1, 2018.

On September 14, 2018, the MWSS BOT approved the FCDA adjustment based on the exchange rates of USD1: ₱53.433 and JPY1: ₱0.480. The FCDA component of the water bill will be adjusted to 6.11% of the basic charge effective October 1, 2018.

On September 27, 2018, the MWSS BOT (MWSS Resolution No. 2018-145-RO) approved the MWC's Rebasing Adjustment for the Fifth Rate Rebasing Period (2018 to 2022) as recommended by the MWSS Regulatory Office (MWSS RO Resolution No. 2018-10-CA). To mitigate the impact on the tariff of its customers, MWC shall stagger its implementation over a five-year period. The first tranche shall take effect on October 16, 2018.

Arbitration under the United Nations Commission on International Trade Law (UNCITRAL) Rules (1976)

On April 23, 2015, MWC served to the Republic of the Philippines (the "Republic"), through the Department of Finance, its Notice of Claim demanding that the Republic indemnify MWC in accordance with the indemnity clauses in the Republic's Letter Undertaking dated July 31, 1997 and Letter Undertaking dated October 19, 2009.

At present, the arbitration case remains pending.

14. Accounts Payable and Accrued Expenses

This account consists of the following:

	September 2018 (Unaudited)	December 2017 (Audited)
	(In Thousands)	
Accounts payable	₱ 90,627,231	₱ 90,750,983
Accrued expenses		
Project costs	19,325,000	15,946,912
Personnel costs	8,278,902	8,368,005
Professional and management fees	6,930,635	5,820,306
Rental and utilities	5,061,665	3,799,693
Repairs and maintenance	2,395,038	2,074,653
Advertising and promotions	1,335,001	1,120,738
Various operating expenses	546,298	3,024,200
Taxes payable	19,238,172	20,706,997
Retentions payable	4,768,049	4,924,173
Dividends payable	4,375,406	3,618,606
Interest payable	3,488,111	3,682,835
Liability for purchased land	2,950,000	3,710,462
Related parties (Note 21)	1,131,423	1,873,861
DRP Obligation	-	230,103
	₱ 170,450,931	₱ 169,652,527

Accounts payable and accrued expenses are non-interest bearing and are normally settled on 15- to 60-day terms. Other payables are non-interest bearing and are normally settled within one year.

Accounts payable includes the deposit received by IMI related to the sale and purchase agreement between STSN and Jinnuo Century Trading Limited in connection with the relocation of its manufacturing facility in Liantang, Luohu to Pingshan, in line with the urban redevelopment projects of the Shenzhen City government. Share transfer was completed as of June 30, 2018. The gain recognized from the transaction amounted to \$27.48 million included under "Other income" in the consolidated statements of income, less plant relocation costs amounting to \$8.42 million which forms part of the General and Administrative Expenses.

Accrued expenses consist mainly of expenses already incurred but not yet billed for project costs, personnel, rental and utilities, marketing costs, film share, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, sub-contractual costs, security, insurance, and representation.

Project costs represent accrual for direct costs associated with the commercial, residential and industrial project development and construction like engineering, design works, contract cost of labor and direct materials.

Incurred expenses which are not classified in the specific accrued expense accounts and which are individually immaterial are booked under various operating expenses. Increase in this account includes, among others, higher representation and insurance expenses.

Taxes payable consists of net output VAT, withholding taxes, business taxes, and other statutory payables, which are payable within one year.

Increase in various operating expenses includes higher transportation, communication and real-estate group's expenses.

15. Other Current and Noncurrent Liabilities

	September 2018 (Unaudited)	December 2017 (Audited)
	(In Thousands)	
Other current liabilities	P 23,007,405	P 25,983,794
Other noncurrent liabilities	P 52,190,041	P 43,233,816

Other current liabilities include the following:

- Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion. These also include security deposits equivalent to one (1) to three (3) months' rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts.
- Financial liabilities on put option relate to the acquisition of VIA and STI and pertain to the right of the non-controlling shareholders of VIA and STI to sell their shares in the acquiree to IMI Group. As of September 30, 2018, the Group reversed a US\$20.7 million contingent liability pertaining to expected earn out based on target normalized EBITDA performance in relation to the acquisition of STI which did not materialize in 2018.
- Nontrade payables pertain mainly to non-interest bearing real estate-related payables to contractors and various non-trade suppliers which are due within one year.

Other noncurrent liabilities include the following:

- Deposits and deferred credits
Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to one (1) to three (3) months' rent of long-term tenants with noncancellable leases. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. Deferred credits pertain to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by ALI Group for the processing of title are charged to this account.
- Retentions payable pertains to amount withheld by the Group from the contractors' progress billings which will be later released after the guarantee period, usually one year after the completion of the project. The retention serves as a security from the contractor should there be defects in the project.
- Liability for purchased land pertains to the portion of unpaid unsubdivided land acquired during the year. These are normally payable in quarterly or annual installment payments within three (3) or five (5) years.
- DRP obligation pertains to the liability arising from the assignment agreement between North Triangle Depot Commercial Corporation (NTDCC), a subsidiary of ALI, and MRTDC of the latter's development rights. In consideration of the lease, NTDCC will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from the NTDCC's commercial center business.
- Subscription payable mainly pertains to POPI's investment in Cyber Bay.
- Provisions relate to pending unresolved claims and assessments. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these claims and assessments.
- Other nontrade payables include IMI Group's contingent consideration arising from the acquisition of STI. This also includes warranty and other payables.

Decrease in other current liabilities is due to ALI's lower customer deposits and AC Ventures' settlement of subscription payable for new investments (Zalora). On the other hand, increase in other noncurrent liabilities is primarily due to ALI's higher real estate customer deposits driven by higher sales.

16. Short-term and Long-term Debt

These accounts consist of the following:

	September 2018 (Unaudited)	December 2017 (Audited)
	(In Thousands)	
Short-term debt - Subsidiaries:		
Philippine peso with various interest rates	₱ 16,796,827	₱ 22,925,600
Foreign currency with various interest rates	18,182,460	6,979,123
	₱ 34,979,287	₱ 29,904,723
Long-term debt:		
The Parent Company:		
Bank loans with various interest rates	₱ 33,299,588	₱ 9,198,822
Bonds	39,751,771	39,719,659
	73,051,359	48,918,481
Subsidiaries:		
Loans from banks & other institutions:		
Foreign currency with various interest rates	67,089,967	58,680,019
Philippine Peso with various interest rates	80,712,073	66,976,029
Bonds	97,539,593	87,494,123
Exchangeable bonds	15,630,926	14,551,428
Fixed for life bonds	21,483,858	19,843,316
Fixed Rate Corporate Notes (FXCNs)	13,829,468	17,180,466
Short-dated notes	7,361,819	7,063,367
	303,647,704	271,788,748
	376,699,063	320,707,229
Less current portion	47,958,270	13,731,967
Non-current portion	₱ 328,740,793	₱ 306,975,262

The loan agreements on long-term debt of the Company and certain subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as of September 30, 2018 and December 31, 2017. The Company aims to maintain for its debt to equity ratio not to exceed 3:1 in compliance with loan covenants of AYC Finance.

As of September 30, 2018 (unaudited), total proceeds from availment of short-term and long-term debt amounted to ₱69.2 billion which consists mainly of proceeds from bonds and loans of Ayala (₱24.2 billion), ALI (₱16.8 billion), MWC (₱15.0 billion), ACEHI (₱10.9 billion), IMI (₱1.2 billion), and AYC (₱1.1 billion), while payments of short-term and long-term debt amounted to ₱16.8 billion which pertains to loan payment of ALI (₱9.1 billion), MWC (₱4.4 billion), ACEHI (₱0.5 billion), AITHI/ACI (₱1.3 billion), and IMI (₱0.9 billion).

The Group has short-term and long-term debt payable to BPI amounting to ₱37.8 billion and ₱29.6 billion as of September 30, 2018 (unaudited) and December 31, 2017 (audited), respectively (see Note 21). Interest expense incurred from these debts amounted to ₱538.7 million and ₱325.3 million for the period ending September 30, 2018 and 2017 (both unaudited), respectively (see Note 21).

Loans availed during September 2018 have varying interest rates and maturity dates. Proceeds of loans were used for operating requirements, capital expenditures and certain investment acquisitions (see Note 3).

The loan availments for the year include, among others, the following:

Parent Company

The following summarizes the Company's parent level outstanding bonds payable.

Year Issued	Term	Interest Rate	Principal Amount (In Thousands)	Carrying Value (In Thousands)		Features
				September 2018 (Unaudited)	December 2017 (Audited)	
2011	10 years	6.800%	10,000,000	₱ 9,967,664	₱ 9,959,350	20% balance puttable on the 5 th anniversary of the issue date; balance puttable on the 8 th anniversary issue date
2012	15 years	6.875%	10,000,000	9,944,600	9,939,791	Callable from the 10 th anniversary issue until every year thereafter until the 14 th anniversary issue date
2016	7 years	3.920%	10,000,000	9,924,331	9,913,730	Callable from the 5.5 th anniversary issue until every year thereafter until the 7 th anniversary issue date
2017	8 years	4.820%	10,000,000	9,915,176	9,906,788	Callable from the 6.5 th anniversary issue until every year thereafter
			₱ 40,000,000	₱ 39,751,771	₱ 39,719,659	

On January 30, 2018, the Parent Company signed the following loan facilities with BPI:

- ₱1.9 billion 10-year loan facility with ALI shares as collateral (70% of outstanding loan on 2:1 collateral ratio); and
- ₱10.0 billion 10-year loan facility with US\$ deposits as collateral (1:1 ratio).

On February 26, 2018, the Parent Company drew down the full amount of the ₱1.9 billion loan.

On February 23, 2018, the Parent Company drew down ₱2.5 billion from its ₱10.0 billion 3-year floating rate loan facility with BDO.

ALI Group

On February 20, 2018, the BOD of ALI approved the following related to loans:

- Raising of up to ₱20.0 billion through (a) retail bonds listed in the Philippine Dealing and Exchange Corporation and (b) bilateral term loan/s to partially finance general corporate requirements. The retail bonds will be issued under the Corporation's ₱50.0 billion Debt Securities Program as approved by the SEC in March 2016.
- Raising of up to ₱5.0 billion through the issuance of Qualified Buyer Notes with a tenor of up to 5 years to refinance ALI's short-term loans.

In March 2018, ALI executed and drew in one lump sum a ₱5.0 billion long-term facility. The loan has a fixed interest rate of 6.9062% for 10 years inclusive of Gross Receipt Tax (GRT).

On April 27, 2018, ALI issued and listed on the Philippine Dealing & Exchange Corp. a ₱10.0 billion bond due in April 2028 with a fixed coupon rate of 5.9203% pa until the interest repricing date, five years after the bond's issue date. The repriced interest rate shall be adjusted to the higher of: a) initial interest rate; or b) interest rate repricing benchmark rate plus 75 bps and shall apply to all interest payments thereafter. The Bond was rated by PRS AAA by Philratings, the highest investment grade indicating minimal credit risk. The issuance is the fifth and final tranche of ALI's ₱50,000.0 million fixed-rate Bond Series under its Debt Series Program as approved by the Securities and Exchange Commission (SEC) on March 2016.

IMI Group

As of September 30, 2018 and December 31, 2017, IMI has unsecured short-term loans aggregating to \$89.00 million and \$93.00 million, respectively, with maturities ranging from 30 to 75 days, and fixed annual interest rates ranging from 2.175% to 2.85% in 2018 and 1.82% to 2.34% in 2017.

The loans of VIA consist of factoring loan from China-based banks denominated in USD and RMB aggregating \$17.04 million as of September 30, 2018 and \$10.07 million as of December 31, 2017 with terms ranging from 70 to 150 days and annual interest rate from 3.16% to 3.77% and loan from a German-based bank amounting to €6.6 million (\$7.67 million) in 2018 and €2.0 million (\$2.39 million) in 2017 with term of 90 and bears interest rate of 1.95% per annum.

VIA has a long-term debt from Germany-based bank amounting to €0.08 million (\$0.09 million) as of September 30, 2018 and €0.16 million (\$0.20 million) as of December 31, 2017. The loan is unsecured and bears annual interest of 5.35% and matures on June 30, 2019.

STI has unsecured short-term loans from a local bank amounting to \$0.70 million as of September 30, 2018 and \$3.20 million as of December 31, 2017, and UK-based bank of £0.40 million (\$0.54 million) as of December 31, 2017, with term of 240 days and annual interest rates ranging from 3.9% to 4.7%.

MWC Group

On January 15, 2018, Clark Water availed of a short-term loan with Rizal Commercial Banking Corporation amounting to 100.00 million to finance its working capital requirements. The loan's principal payment is due on July 16, 2018.

On March 5, 2018, MWTC entered into a one-year term facility agreement with Mizuho Bank, Ltd., Bangkok Branch (Mizuho Bangkok), whereby Mizuho Bangkok extended credit to MWTC for THB5.30 billion to finance MWTC's acquisition of shares in East Water.

On May 11, 2018, MWC signed a ₱5.0 billion, 10-year term loan facility with the Philippine National Bank. The loan will be used to finance general corporate requirements and capital investment programs in the East Zone as well as to refinance existing concessionaire loans.

AYCFL

US\$400.0 Million Senior Unsecured and Guaranteed Fixed For Life Perpetual Notes ("Notes")

On September 7, 2017, the Company announced that it had successfully set the terms of a US dollar-denominated fixed-for-life (non-deferrable) senior perpetual issuance at an aggregate principal amount of US\$400 million with an annual coupon of 5.125% for life with no step-up. The issuance is the first corporate fixed-for-life with no coupon step-up in Southeast Asia and the first fixed-for-life with no step-up (and reset) deal in the Philippines. The issuer, AYCFL, may redeem the Notes in whole but not in part on September 13, 2022 (first redemption date) or any interest payment date falling after the first redemption date at 100% of the principal amount of the Notes plus any accrued but unpaid interest. The proceeds of the issuance will be used to refinance the issuer's US Dollar maturing obligations and to fund investments of the Guarantor (the Company) or its offshore subsidiaries.

The pricing of the Notes reflected a 50-basis point compression from initial price guidance. The offering was more than five times oversubscribed, with investors' confidence reflecting the high quality of the Ayala signature. 19% of the order book for the Notes was allocated to investors from the Philippines, 10% from Europe with the remaining 71% from rest of Asia. By investor type, the split was 67% to fund/asset managers, 12% to banks, 7% to insurance and pension funds, and the remaining 14% to private banks and other investors. The Notes was settled on September 13, 2017 and was listed in the Singapore Exchange Securities Trading Limited on September 14, 2017.

The Group will account for this as liability, and, thus shown forming part of long-term debt as of September 30, 2018.

US\$300.0 Million Exchangeable Bonds ("Bonds")

On May 2, 2014, AYCFL issued at face US\$300.0 million Exchangeable Bonds (Bonds) due on May 2, 2019 with a fixed coupon rate of 0.50% per annum, payable semi-annually. The Bonds are guaranteed by the Company and constitute direct, unsubordinated, unconditional and unsecured obligations of AYCFL, ranking pari passu and without any preference or priority among themselves. The Bonds were listed in the Singapore Stock Exchange and include features such as exchange option, put option and early redemption options.

The exchange option entitles the bondholders to exchange the Bonds for ALI's common shares at any time on or after June 11, 2014 up to the close of business on the 10th day prior to maturity date, or if such bonds shall have been called for redemption by AYCFL before the maturity date, then up to the close of business on a date no later than 10 days prior to the date fixed for redemption. The exchange price per principal amount to be exchanged, translated into ₱ at the fixed exchange rate of ₱44.31/US\$1.00, is equal to ₱36.48, subject to anti-dilutive adjustments contingent on certain events. The exchange option was assessed to be an equity component of the Bonds at the consolidated financial statements as the Bonds are denominated in the functional currency of AYCFL and to be settled by the Group through issuance of a fixed number of ALI's common shares.

The put option entitles the bondholders to require AYCFL to redeem, in whole or in part, the Bonds on May 2, 2017 (put option date) at 100% of the principal amount together with accrued and unpaid interest. Moreover, if a change of control event occurs (the change of control put) or in the event that the common shares of ALI are delisted or suspended from trading for a period of more than 20 consecutive trading days (the delisting put), the bondholders may require AYCFL to redeem the Bonds, in whole but not in part, at 100% of the principal amount together with accrued and unpaid interest.

The early redemption option gives the right to AYCFL to redeem the Bonds, in whole but not in part, at any time after May 2, 2017 at 100% of the principal amount on the date fixed for such redemption, provided, however, that no such redemption may be made unless the closing price of the common shares of ALI (translated into US\$ at the prevailing average ₱ to US\$ exchange rate as published by BSP) for any 30 consecutive trading days was at least 130% of the exchange price then in effect (translated into US\$ at the fixed exchange rate of ₱44.31/US\$1.00). In addition, if at any time the aggregate principal amount of the Bonds outstanding is less than 10% of the aggregate principal amount originally issued or if a tax event occurs, AYCFL may redeem the Bonds, in whole but not in part, at 100% of principal amount together with accrued and unpaid interest.

The put and early redemption options were assessed to be embedded derivatives that are clearly and closely related to the host contract, therefore, not required to be bifurcated. As the Bonds were determined to be a compound instrument at the consolidated level, (i.e., it has liability component and an equity component which pertains to the exchange option), the Group applied split accounting. The value allocated to the equity component at issue date amounted ₱1.114 billion, being the residual amount after deducting the fair value of the liability component amounting to ₱11.98 billion from the issue proceeds of the Bonds.

For the period September 30, 2018, an equivalent amount of USD6.8 million principal was exchanged and converted into a total of 8,589,167 shares resulting in gain of ₱279.5 million which was booked under Equity Reserve.

As of September 30, 2018 and December 31, 2017, the unamortized discount of the Bonds amounted to ₱196.9 million (unaudited) and ₱417.6 million (audited), respectively. Interest expense recognized in the statement of income amounted to ₱303.0 million (unaudited) and ₱288.8 million (unaudited) for the period ended September 30, 2018 and 2017, respectively.

17. Equity

Details of the Company's paid-up capital:

	Preferred Stock - A	Preferred Stock - B	Preferred Stock - Voting	Common Stock	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital
(In Thousands)								
At January 1, 2018 (Audited)	₱ 1,200,000	₱ 5,800,000	₱ 200,000	₱ 30,899,877	₱ 164,725	₱ 37,929,927	₱ (1,193,355)	₱ 75,001,174
Issuance of shares	-	-	-	440,500	-	7,624,796	-	8,065,296
Exercise/Cancellation/Subscription of ESOP/ESOWN	-	-	-	340	25,932	558,501	(353,478)	231,295
At September 30, 2018 (Unaudited)	₱ 1,200,000	₱ 5,800,000	₱ 200,000	₱ 31,340,717	₱ 190,657	₱ 46,113,224	₱ (1,546,833)	₱ 83,297,765
At January 1, 2017 (Audited)	₱ 1,200,000	₱ 5,800,000	₱ 200,000	₱ 30,839,021	₱ 172,209	₱ 36,928,326	₱ (759,796)	₱ 74,379,760
Exercise/Cancellation/Subscription of ESOP/ESOWN	-	-	-	5,479	47,893	1,001,601	(808,044)	246,929
Collection of subscription receivables	-	-	-	55,377	(55,377)	-	374,485	374,485
At December 31, 2017 (Audited)	₱ 1,200,000	₱ 5,800,000	₱ 200,000	₱ 30,899,877	₱ 164,725	₱ 37,929,927	₱ (1,193,355)	₱ 75,001,174

On April 20, 2018, the BOD approved the Company's 2018 stock option program pursuant to the Employee Stock Ownership Plan (the "Plan"). The program authorizes the grant to 35 executives, in accordance with the terms of the Plan, stock options covering up to a total of 494,683 common shares at a subscription price of 926.00 per share, which is the rounded off volume-weighted average prices of the common shares at the PSE over the last 10-day trading from April 5 to 19, 2018. In April 2018, 492,875 shares were subscribed and in September 2018 additional 25,806 shares were subscribed.

The fair value of stock options granted under the Plan at grant date and the assumptions used to determine the fair value of the stock options follow: Fair value of each option P256.30, Spot price P919.00, Exercise price P926.00, Expected volatility 30.28%, Dividend yield 0.75% and Interest rate 3.678%.

On July 21, 2018, the Company announced the placement of 8,810,000 common shares of stock at a price of ₱916.00 per share. The Company completed the placement upon its approval by the Executive Committee.

The sale was executed through a subscription agreement for 8,810,000 shares with a single long-term institutional investor who had made a reverse inquiry.

The placing price reflects a discount of 1.08% to the 30-day volume weighted average closing price of our shares. The placement raised ₱8.07 billion with proceeds going to the Company and increasing its public float from 51.6% to 52.3%. The Company intends to use the proceeds to acquire properties or assets needed for its business or for payment of debt contracted prior to the issuance of these shares.

The new shares to be issued are part of the carved-out shares as defined in Article Seventh of its Articles of Incorporation, the issuance of which is exempt from pre-emptive rights. The Company will, as soon as practicable, apply for the listing in the PSE of the shares, which constitutes 1.4% of its increased common stock.

On July 26, 2018, the Company announced that the subscription took effect on July 25, 2018 thereby increasing the number of its outstanding common shares to 630,627,482.

The reconciliation of Retained Earnings available for dividend declaration shows the following as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
	(In Thousands)	
Consolidated retained earnings	₱ 190,857,216	₱ 170,302,028
Accumulated equity in net earnings of subsidiaries, associates and joint ventures	(152,672,801)	(134,822,808)
Deferred tax asset - net	(21,260)	-
Treasury shares	(2,300,000)	(2,300,000)
Retained Earnings available for dividends	₱ 35,863,155	₱ 33,179,220

On June 22, 2018, the BOD, at its regular meeting, approved the declaration of regular dividend of ₱3.46 per common share. The record date is July 6, 2018, and payment date is July 22, 2018. This cash dividend is for the first semester ending June 30, 2018.

The details on the dividends declared by the Company for the period ended September 30, 2018 and December 31, 2017 are shown below:

	September 2018	December 2017
	(Unaudited)	(Audited)
	(In Thousands, except dividends per share)	
Dividends to common shares:		
Cash dividends declared during the year	₱ 2,151,488	₱ 4,299,109
Cash dividends per share	3.46	6.92
Dividends to equity preferred shares declared during the year		
Cash dividends to Preferred B shares	-	1,277,625
Cash dividends to Voting Preferred shares	-	7,390

18. Earnings Per Share

The following table presents information necessary to calculate earnings per share (EPS) on net income attributable to owners of the Parent Company:

	September 2018 (Unaudited)	September 2017 (Unaudited)
(In Thousands, except EPS figures)		
Net income attributable to the owners of the Parent Company	₱ 23,863,767	₱ 23,235,153
Less dividends on preferred stock	(965,609)	(965,609)
	22,898,158	22,269,544
Less profit impact of assumed conversions of potential ordinary shares of investees	(266,820)	(223,159)
	₱ 22,631,338	₱ 22,046,385
Weighted average number of common shares	624,149	620,928
Dilutive shares arising from stock options	2,229	2,230
Adjusted weighted average number of common shares for diluted EPS	626,378	623,158
Basic EPS	₱ 36.69	₱ 35.86
Diluted EPS	₱ 36.13	₱ 35.38

19. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the primary segment reporting format is by business segment.

For management purposes, the Group is organized into the following business units:

- Parent Company - represents operations of the Parent Company including its financing entities such as ACIFL, AYCFL, PFIL and MHI.
- Real estate and hotels - planning and development of large-scale fully integrated mixed-used communities that become thriving economic centers in their respective regions. This include development and sale of residential, leisure and commercial lots and the development and leasing of retail and office space and land in these communities; construction and sale of residential condominiums and office buildings; development of industrial and business parks; development and sale of high-end, upper middle-income and affordable and economic housing; strategic land bank management; hotel, cinema and theater operations; and construction and property management.
- Financial services and insurance - commercial banking operations with expanded banking license. These include diverse services such as deposit taking and cash management (savings and time deposits in local and foreign currencies, payment services, card products, fund transfers, international trade settlement and remittances from overseas workers); lending (corporate, consumer, mortgage, leasing and agri-business loans); asset management (portfolio management, unit funds, trust administration and estate planning); securities brokerage (on-line stock trading); foreign exchange and capital markets investments (securities dealing); corporate services (corporate finance, consulting services); investment banking (trust and investment services); a fully integrated bancassurance operations (life, non-life, pre-need and reinsurance services); and other services (internet banking, foreign exchange and safety deposit facilities).
- Telecommunications (Telecoms) - provider of digital wireless communications services using a fully digital network; domestic and international long distance communication services or carrier services; broadband internet and wireline voice and data communication services; also licensed to establish, install, operate and maintain a nationwide local exchange carrier (LEC) service, particularly integrated local telephone service with public payphone facilities and public calling stations, and to render and provide international and domestic carrier and leased line

services. In recent years, operations include developing, designing, administering, managing and operating software applications and systems, including systems designed for the operations of bill payment and money remittance, payment facilities through various telecommunications systems operated by telecommunications carriers in the Philippines and throughout the world and to supply software and hardware facilities for such purposes.

- Water infrastructure - contractor to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery, sewerage and sanitation, distribution services, pipeworks, used water management and management services. In 2016, a new business initiative was undertaken where the group will exclusively provide water and used water services and facilities to all property development projects of major real estate companies.
- Electronics manufacturing - global provider of electronics manufacturing services (EMS) and power semiconductor assembly and test services with manufacturing facilities in Asia, Europe, and North America. It serves diversified markets that include those in the automotive, industrial, medical, telecommunications infrastructure, storage device, and consumer electronics industries. Committed to cost-effective and innovative customized solutions (from design and product development to manufacturing and order fulfillment), the company's comprehensive capabilities and global manufacturing presence allow it to take on specific outsourcing needs.
- Power generation - unit that will build a portfolio of power generation assets using renewable and conventional technologies which in turn will operate business of generating, transmission of electricity, distribution of electricity and supply of electricity, including the provision of related services.
- Automotive, IT/BPO and Others - includes operations of Automotive unit's business on manufacturing, distribution and sale and providing repairs and services for passenger cars and commercial vehicles. In 2016, this unit launched initiatives to include industrial manufacturing activity for long-term synergy and integration with automotive business. This segment also includes the Information Technology and BPO services unit (venture capital for technology businesses and emerging markets; onshore and offshore outsourcing services in the research, analytics, legal, electronic discovery, document management, finance and accounting, full-service creative and marketing, human capital management solutions, and full-service accounting); International unit (investments in overseas property companies and projects); Aviation (air-chartered services); consultancy, agri-business and other operating companies. This business segment group also includes the companies like Infrastructure (development arm for its transport infrastructure investments); education, human capital resource management and health services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

For the years ended September 30, 2018, December 31, 2017 and September 30, 2017, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment results include transfers between operating segments. Those transfers are eliminated in consolidation.

The following tables regarding operating segments present revenue and income information for the periods ended September 30, 2018 and 2017 (both unaudited) and assets and liabilities as of September 30, 2018 (unaudited) and December 31, 2017 (audited).

September 2018 (Unaudited)

(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Infrastructure	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Revenue										
Sales to external customers	P 179	P 113,147	P -	P -	P 13,572	P 51,767	P 2,702	P 20,309	P -	P 201,676
Intersegment	127	(59)	-	-	199	155	558	238	(1,218)	-
Share of profit of associates and joint ventures	-	599	8,157	4,615	514	-	1,889	(222)	-	15,552
Interest income	345	4,989	-	-	354	37	72	43	(18)	5,822
Dividend income	58	-	-	-	-	-	342	27	-	427
	709	118,676	8,157	4,615	14,639	51,959	5,563	20,395	(1,236)	223,477
Costs and expenses										
Costs of sales and services	-	73,120	-	-	5,786	46,428	2,637	17,684	(894)	144,761
General and administrative	2,435	5,951	-	-	2,631	4,141	911	4,501	200	20,770
	2,435	79,071	-	-	8,417	50,569	3,548	22,185	(694)	165,531
Other income (charges)										
Other income	333	996	-	-	7,854	1,655	2,043	1,681	411	14,973
Interest and other financing charges	(3,786)	(7,800)	-	-	(1,286)	(450)	(271)	(192)	17	(13,768)
Other charges	-	-	-	-	(6,767)	-	-	-	-	(6,767)
	(3,453)	(6,804)	-	-	(199)	1,205	1,772	1,489	428	(5,562)
Net income (loss) before income tax	(5,179)	32,801	8,157	4,615	6,023	2,595	3,787	(301)	(114)	52,384
Provision for (benefit from) income tax	27	8,815	-	-	1,381	393	862	128	(24)	11,582
Net income (loss)	P (5,206)	P 23,986	P 8,157	P 4,615	P 4,642	P 2,202	P 2,925	P (429)	P (90)	P 40,802
Other information										
Segment assets	P 53,794	P 571,553	P -	P -	P 119,268	P 56,495	P 76,165	P 34,503	P (31,072)	P 880,706
Investments in associates and joint ventures	165,768	22,495	-	-	16,509	-	29,032	6,722	-	240,526
Deferred tax assets	98	12,336	-	-	1,342	57	7	199	446	14,485
Total Assets	P 219,660	P 606,384	P -	P -	P 137,119	P 56,552	P 105,204	P 41,424	P (30,626)	P 1,135,717
Segment liabilities	P 144,325	P 396,504	P -	P -	P 68,243	P 34,459	P 47,976	P 10,428	P (32,476)	P 669,459
Deferred tax liabilities	77	3,637	-	-	3,948	232	763	188	-	8,845
Total Liabilities	P 144,402	P 400,141	P -	P -	P 72,191	P 34,691	P 48,739	P 10,616	P (32,476)	P 678,304
Depreciation & amortization	P 234	P 5,502	P -	P -	P 2,487	P 1,427	P 223	P 495	P (6)	P 10,362
Non-cash expenses other than depreciation & amortization	P -	P 5	P -	P -	P 118	P 37	P -	P 58	P 512	P 730
Segment additions to property, plant and equipment and investment properties	P 146	P 34,747	P -	P -	P 596	P 2,537	P 3,393	P 1,581	P (20,405)	P 22,595
Cash flows provided by (used in):										
Operating activities	P 1,953	P 11,707	P -	P -	P 3,372	P (1,374)	P 228	P (1,311)	P 7,252	P 21,827
Investing activities	P (31,475)	P (24,278)	P -	P -	P (8,537)	P (2,694)	P (9,501)	P (5,362)	P 14,006	P (67,841)
Financing activities	P 26,187	P 14,249	P -	P -	P 7,817	P 4,996	P 16,467	P 5,532	P (20,839)	P 54,409

September 2017 (Unaudited)
(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Infrastructure	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
INCOME										
Sales to external customers	P 167	P 93,217	P -	P -	P 12,444	P 40,008	P 1,230	P 23,404	P -	P 170,470
Intersegment	175	(23)	-	-	424	-	204	544	(1,324)	-
Share of profit (loss) of associates and joint ventures	-	757	8,259	3,956	254	-	838	164	-	14,228
Interest income	350	4,193	-	-	221	7	40	36	(100)	4,747
Other income (loss)	5,882	782	-	-	7,337	174	1,611	2,124	(5,824)	12,086
Total income	6,574	98,926	8,259	3,956	20,680	40,189	3,923	26,272	(7,248)	201,531
Operating Expenses	2,097	64,747	-	-	7,520	38,443	1,684	24,684	(1,265)	137,910
Operating profit (loss)	4,477	34,179	8,259	3,956	13,160	1,746	2,239	1,588	(5,983)	63,621
Interest expense and other financing charges and Other charges	2,195	6,371	-	-	7,466	244	291	265	(104)	16,728
Provision for (benefit from) income tax	151	7,119	-	-	1,185	266	(88)	180	(58)	8,755
Net income (loss)	P 2,131	P 20,689	P 8,259	P 3,956	P 4,509	P 1,236	P 2,036	P 1,143	P (5,821)	P 38,138
Depreciation & amortization	P 245	P 4,662	P -	P -	P 2,621	P 1,142	P 193	P 344	P 5	P 9,212
Non-cash expenses other than depreciation & amortization	P (586)	P 27	P -	P -	P 78	P 29	P -	P 128	P -	P (324)
Segment additions to property, plant and equipment and investment properties	P 85	P 24,971	P -	P -	P 1,074	P 2,352	P 11,327	P 1,803	P 2,106	P 43,718
Cash flows provided by (used in):										
Operating activities	P (5,190)	P 35,340	P -	P -	P 1,647	P (141)	P (3,087)	P (560)	P 627	P 28,636
Investing activities	P 4,566	P (39,559)	P -	P -	P (3,949)	P (3,873)	P (21,303)	P (7,688)	P 11,942	P (59,864)
Financing activities	P 13,000	P 2,731	P -	P -	P 10,367	P 2,890	P 20,635	P 8,067	P (12,567)	P 45,123

December 2017 (Audited)
(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Infrastructure	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Assets and Liabilities										
Segment Assets	P 47,213	P 536,543	P -	P -	P 110,892	P 45,906	P 54,506	P 32,857	P (21,741)	P 806,176
Investments in associates and joint ventures	139,054	26,796	-	-	8,263	-	24,562	3,974	-	202,649
Deferred tax assets	98	10,649	-	-	1,203	60	116	176	419	12,721
Total Assets	P 186,365	P 573,988	P -	P -	P 120,358	P 45,966	P 79,184	P 37,007	P (21,322)	P 1,021,546
Segment liabilities	P 112,443	P 378,185	P -	P -	P 54,008	P 31,982	P 36,021	P 13,050	P (23,344)	P 602,345
Deferred tax liabilities	102	3,544	-	-	4,060	127	170	105	-	8,108
Total Liabilities	P 112,545	P 381,729	P -	P -	P 58,068	P 32,109	P 36,191	P 13,155	P (23,344)	P 610,453
Segment additions to property, plant and equipment and investment properties	P 164	P 30,676	P -	P -	P 1,299	P 3,089	P 14,088	P 3,178	P 929	P 53,423
Depreciation & amortization	P 324	P 6,420	P -	P -	P 3,412	P 1,443	P 323	P 498	P (122)	P 12,298
Non-cash expenses other than depreciation & amortization	P 207	P 612	P -	P -	P 586	P 24	P 54	P 271	P 48	P 1,802
Cash flows provided by (used in):										
Operating activities	P (5,097)	P 25,641	P -	P -	P 129	P (140)	P (5,034)	P (795)	P 10,797	P 25,501
Investing activities	P 7,951	P (35,372)	P -	P -	P (4,174)	P (4,737)	P (23,925)	P (8,233)	P 4,704	P (63,786)
Financing activities	P (164)	P 9,801	P -	P -	P 8,940	P 4,986	P 23,674	P 10,585	P (15,501)	P 42,321

20. Financial Instruments

Fair Value of Financial and Nonfinancial Instruments

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the following financial instruments as of September 30, 2018 and December 31, 2017 (amounts in thousands):

	September 2018		December 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
FINANCIAL ASSETS AT FVPL				
Held for trading	₱ 7,592,951	₱ 7,592,951	₱ 6,063,585	₱ 6,063,585
Derivative assets				
Embedded	767	767	83,785	83,785
Freestanding	-	-	1,562	1,562
Total financial assets at FVPL	7,593,718	7,593,718	6,148,932	6,148,932
LOANS AND RECEIVABLES				
Accounts and notes receivables				
Trade receivables				
Real estate	101,908,578	102,065,667	100,885,847	101,042,936
Nontrade receivables				
Receivable from officers and employees	1,503,357	1,494,346	1,479,532	1,470,522
Concession financial receivable	1,574,567	1,075,777	1,384,552	3,188,264
Total loans and receivables	104,986,502	104,635,790	103,749,931	105,701,722
AFS FINANCIAL ASSETS				
Quoted equity investments	2,147,692	2,147,692	2,072,962	2,072,962
Unquoted equity investments	2,137,862	2,137,862	2,393,405	2,393,405
Total AFS financial assets	4,285,554	4,285,554	4,466,367	4,466,367
OTHER FINANCIAL ASSETS				
Deposits	3,120,057	3,120,057	4,499,695	4,499,695
Total Other financial assets	3,120,057	3,120,057	4,499,695	4,499,695
Total financial assets	₱ 119,985,831	₱ 119,635,119	₱ 118,864,925	₱ 120,816,716
FINANCIAL LIABILITIES AT FVPL				
Other noncurrent liabilities				
Contingent consideration	₱ 230,611	₱ 230,611	₱ 1,247,052	₱ 1,247,052
Financial liabilities on put option	1,407,109	1,407,109	1,094,079	1,094,079
Derivative liabilities				
Embedded	562	562	-	-
Freestanding	-	-	1,505	1,505
Total financial liabilities at FVPL	1,638,282	1,638,282	2,342,636	2,342,636
OTHER FINANCIAL LIABILITIES				
Long-term debt	376,699,062	364,129,674	320,707,229	312,309,608
Short term debt	9,006,830	9,006,830	-	-
Service concession obligation	7,821,472	7,426,759	8,551,954	8,627,085
Deposits and other noncurrent liabilities	52,404,716	48,444,218	62,109,984	58,752,532
Total other financial liabilities	445,932,080	429,007,481	391,369,167	379,689,225
Total financial liabilities	₱ 447,570,362	₱ 430,645,763	₱ 393,711,803	₱ 382,031,861

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial assets at FVPL – Fair values of investment securities are based on quoted prices as of the reporting date. For other investment securities such as FVPL with no reliable measure of fair value, these are carried at its last transaction price.

The fair value of the investment in UITF is based on net asset values as of reporting dates.

The fair value of the investment in ARCH Capital Fund is determined using the discounted cash flow (DCF) method. Under the DCF method in fund fair valuation, it is estimated using assumptions regarding the benefits and liabilities of ownership over the underlying asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream, associated with the underlying asset. The exit yield is normally separately determined and differs from the discount rate. Significant inputs considered were rental, growth and discount rates. The higher the rental and growth rates, the higher the fair value. The higher the discount rates, the lower the fair value.

Derivative instrument - The fair value of the freestanding currency forwards is based on counterparty valuation. Derivative asset - The fair value is estimated using a modified stock price binomial tree model for convertible callable bonds.

AFS quoted debt and equity investments - Fair values are based on the quoted prices published in markets.

AFS unquoted equity investments - For unquoted equity shares where the fair value is not reasonably determinable due to the unpredictable nature of future cash flows and the lack of suitable method of arriving at a reliable fair value, these are carried at cost less impairment, if any.

Financial liabilities on put options - These pertain to the liabilities of IMI arising from the written put options over the non-controlling interest of VIA and STI. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany and UK. The risk-free rate used is 0.26% for VIA and 0.91% for STI. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put option will occur.

The current equity value of VIA is determined using the discounted cash flow approach. The future cash flows are projected using the projected revenue growth rate of VIA. The discount rate represents the current market assessment of the risk specific to the acquiree, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

For STI, management used the market approach by approximating the EBITDA multiple taken from comparable companies of STI that are engaged in providing electronics services solutions to derive its current equity value. Management computed EBITDA as the difference of forecasted gross profit and selling and administrative expenses before depreciation and amortization.

Other financial liabilities - non-current - The fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. This also include the contingent consideration related to the acquisition of STI determined based on probability-weighted payout discounted at 8% at the date of acquisition to determine its fair value. The discount rate is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

The following table shows the fair value hierarchy of the Group's assets and liabilities as at September 30, 2018 and December 31, 2017 (amounts in thousands):

September 30, 2018

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring financial assets measured at fair value				
Financial assets at FVPL	P -	P 86,915	P 7,506,036	P 7,592,951
Derivative assets				
Embedded	-	-	767	767
AFS financial assets				
Quoted equity investments	1,297,470	850,222	-	2,147,692
Unquoted equity investments	-	-	2,137,862	2,137,862
	P 1,297,470	P 937,137	P 9,644,665	P 11,879,272
Recurring financial assets for which fair values are disclosed:				
Trade and nontrade receivables	P -	P -	P 103,560,013	P 103,560,013
Concession financial receivable	-	-	1,075,777	1,075,777
Deposits	-	-	3,120,057	3,120,057
	P -	P -	P 107,755,847	P 107,755,847
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	P -	P -	P 1,407,109	P 1,407,109
Contingent consideration (noncurrent liability)	-	-	230,611	230,611
Derivative liabilities				
Embedded	-	-	562	562
	P -	P -	P 1,638,282	P 1,638,282
Recurring financial liabilities for which fair values are disclosed:				
Long-term debt	P -	P -	P 364,129,674	P 364,129,674
Short term debt	-	-	9,006,830	9,006,830
Service concession obligation	-	-	7,426,759	7,426,759
Deposits and Other noncurrent liabilities	-	-	48,444,218	48,444,218
	P -	P -	P 429,007,481	P 429,007,481
Nonfinancial assets for which fair values are disclosed:				
Investments in associates and joint ventures*	P 214,097,950	P -	P -	P 214,097,950
Investment properties	-	-	432,195,279	432,195,279
	P 214,097,950	P -	P 432,195,279	P 646,293,229

*Fair value of investments in listed associates and joint ventures for which there are published price quotations

December 31, 2017

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring financial assets measured at fair value				
Financial assets at FVPL	₱ -	₱ 82,978	₱ 5,980,607	₱ 6,063,585
Derivative assets				
Embedded	-	-	83,785	83,785
Freestanding	-	-	1,562	1,562
AFS financial assets				
Quoted equity investments	1,161,169	911,793	-	2,072,962
Unquoted equity investments	-	-	2,393,405	2,393,405
	₱ 1,161,169	₱ 994,771	₱ 8,459,359	₱ 10,615,299
Recurring financial assets for which fair values are disclosed:				
Trade and nontrade receivables	₱ -	₱ -	₱ 102,513,458	₱ 102,513,458
Concession financial receivable	-	-	3,188,264	3,188,264
Deposits	-	-	4,499,695	4,499,695
	₱ -	₱ -	₱ 110,201,417	₱ 110,201,417
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	₱ -	₱ -	₱ 1,094,079	₱ 1,094,079
Contingent consideration (noncurrent liability)	-	-	1,247,012	1,247,012
Derivative liabilities				
Freestanding	-	1,505	-	1,505
	₱ -	₱ 1,505	₱ 2,341,091	₱ 2,342,596
Recurring financial liabilities for which fair values are disclosed:				
Long-term debt	₱ -	₱ -	₱ 312,309,608	₱ 312,309,608
Service concession obligation	-	-	8,627,085	8,627,085
Deposits and Other noncurrent liabilities	-	-	58,752,532	58,752,532
	₱ -	₱ -	₱ 379,689,225	₱ 379,689,225
Nonfinancial assets for which fair values are disclosed:				
Investments in associates and joint ventures*	₱ 216,671,968	₱ -	₱ -	₱ 216,671,968
Investment properties	-	-	334,437,827	334,437,827
	₱ 216,671,968	₱ -	₱ 334,437,827	₱ 551,109,795

*Fair value of investments in listed associates and joint ventures for which there are published price quotations

There was no change in the valuation techniques used by the Group in determining the fair market value of the assets and liabilities.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table presents the valuation techniques and unobservable key inputs used to value the Group's financial assets and liabilities categorized as Level 3:

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	0%-2% (1%)	1% increase in growth rate would result in an increase in fair value by \$0.95 million. Decrease in growth rate by 1% would result in a fair value decrease of \$1.16 million.
		Discount rate	10%-12% (11%)	1% increase in discount rate would result in a decrease in fair value by \$1.59 million. Decrease in discount rate by 1% would result in a fair value increase of \$1.30 million.
		Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by \$1.01 million. Decrease in the probability to 1% would result in a decrease in fair value by \$0.67 million.
Other noncurrent liabilities (contingent consideration)	Discounted, probability-weighted payout	Probability of pay-out	£0 to £3.3 million (\$0 to \$4.7 million)	GBP0 to GBP3.3 million (\$0 to \$4.7 million)

ALI Group categorizes trade receivable, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

A reconciliation of the beginning and closing balances of Level 3 financial assets and liabilities at FVPL are summarized below:

Financial Assets at FVPL	September 2018	December 2017
Balance at beginning of year	₱ 5,980,607	₱ 4,927,256
Additions	4,552,389	1,071,109
Disposals/ redemptions/ return of capital	(3,257,799)	(410,580)
Recognized in statement of income	412,738	276,392
Exchange difference	(181,898)	116,430
Balance at end of period	₱ 7,506,036	₱ 5,980,607

Financial Liabilities at FVPL	September 2018	December 2017
Balance at beginning of year	₱ 2,341,091	₱ 563,541
Additions	-	1,889,943
Reversal	(1,118,538)	-
Recognized in statement of income	217,177	(115,859)
Exchange difference	197,990	3,466
Balance at end of period	₱ 1,637,720	₱ 2,341,091

Derivatives

	September 2018	December 2017
Derivative Assets		
Prepayment option of ACEHI	₱ 767	₱ 83,785
Currency forward of AIVPL	-	1,562
	₱ 767	₱ 85,347
Derivative Liabilities		
Currency forwards of AC and IMI	₱ 562	₱ 1,505
	₱ 562	₱ 1,505

Embedded derivatives

ACEHI

Prepayment option

The onshore and offshore loan agreements of ACEHI have embedded prepayment options subject to a 3% prepayment penalty. The embedded derivative for Tranch A onshore dollar loan is assessed to be not closely related to the host contract, and thus, bifurcated and accounted for separately.

As of September 30, 2018 and December 31, 2017, the value of the derivative asset related to the embedded prepayment option amounted to ₱0.8 million and ₱83.8 million, respectively.

Fair Value Changes on Derivatives

The net movements in fair values of the Group's derivative instruments as of September 30, 2018 and December 31, 2017 follow (amounts in thousands):

Derivative Assets

	September 2018		December 2017	
Balance at beginning of year	₱	85,347	₱	245,887
Fair value of currency forwards		(1,562)		797
Net changes in fair value of derivatives		(83,018)		(22,832)
		767		223,852
Fair value of settled instruments		-		(138,505)
Balance at end of period	₱	767	₱	85,347

Derivative Liabilities

	September 2018		December 2017	
Balance at beginning of year	₱	1,505	₱	5,809
Fair value of currency linked notes		562		1,505
Net changes in fair value of derivatives		-		14
		2,067		7,328
Fair value of settled instruments		(1,505)		(5,823)
Balance at end of period	₱	562	₱	1,505

No other financial assets or liabilities are carried at fair value as of September 30, 2018 and December 31, 2017.

Net changes in fair value of derivative assets and liabilities was recognized in the consolidated statement of income under "Other Income". However, the net changes in fair value of IMI Group's freestanding currency forward are recognized in the consolidated income under "Foreign exchange gains (losses)".

Financial Risk Management

General

Like any other risks, financial risks are inherent in its business activities and are typical of any large holding company. The financial risk management of the Parent Company seeks to effectively contribute to better decision making, enhance performance, and satisfy compliance demands.

The Parent Company defines financial risks as risk that relates to the Parent Company's ability to meet financial obligations and mitigate funding risk, credit risk and exposure to broad market risks, including volatility in foreign currency exchange rates and interest rates. Funding risk refers to the potential inability to meet contractual or contingent financial obligations as they arise and could potentially impact the Parent Company's financial condition or overall financial position. Credit risk is the risk of financial loss arising from a counterparty's failure to meet its contractual obligations or non-payment of an investment. These exposures may result in unexpected losses and volatilities in the Parent Company's profit and loss accounts.

The Parent Company maintains a strong focus on its funding strategy to help provide access to sufficient funding to meet its business needs and financial obligations throughout business cycles. The Parent Company's plans are established within the context of our annual strategic and financial planning processes. The Parent Company also take into account capital allocations and growth objectives, including dividend pay-out. As a holding company, the Parent Company generates cash primarily on dividend payments of its subsidiaries, associates and joint ventures and other sources of funding.

The Parent Company also establishes credit policies setting up limits for counterparties that are reviewed quarterly and monitoring of any changes in credit standing of counterparties.

In 2014, the Parent Company formalized the foreign exchange and interest rate risk management policy. The Parent Company actively monitors foreign exchange exposure and interest rate changes. And in addition, the Parent Company ensures that all loan covenants and regulatory requirements are complied with.

The Ayala Group continues to monitor and manage its financial risk exposures in accordance with Board approved policies. The succeeding discussion focuses on Ayala Group's financial risk management.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise financial assets at FVPL, AFS financial assets, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as cash and cash equivalents, short-term investments, accounts and notes receivables and accounts payable and accrued expenses which arise directly from its operations.

The Group's main risks arising from the use of financial instruments are interest rate risk, foreign exchange risk, price risk, liquidity risk, and credit risk.

The Group also uses hedging instruments, the purpose of which is to manage the currency and interest rate risks arising from its financial instruments.

The Group's risk management policies relevant to financial risks are summarized below:

Interest Rate Risk

The Group's exposure to market risk for changes in Interest rates relates primarily to the Parent Company's and its subsidiaries' obligations. The policy is to keep a certain level of the total obligations as fixed to minimize earnings volatility due to fluctuation in interest rates.

Foreign Exchange Risk

The Group's foreign exchange risk results primarily from movements of the Philippine Peso (PHP) against other currencies. The Group's consolidated statements of income can be affected significantly by movements in the USD and other currencies versus the PHP. The Group may enter into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The second and third columns of the table below summarize the Group's exposure to foreign exchange risk as of September 30, 2018. The fourth and fifth columns of the table demonstrates the sensitivity to a reasonably possible change in the peso exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (in thousands, unaudited).

Foreign currency	Net asset		PHP equivalent	Increase (decrease) in Peso per foreign currency		Increase (decrease) in profit before tax	
	(liabilities)						
United States Dollar (USD)	USD	138,882	₱ 7,502,420	₱1.00		₱ 138,882	
				(1.00)		(138,882)	
Japanese Yen (JPY)	JPY	(28,726,914)	₱ (13,745,620)	1.00		(28,726,914)	
				(1.00)		28,726,914	
Thai Baht (THB)	THB	(5,291,832)	₱ (8,893,102)	1.00		(5,291,832)	
				(1.00)		5,291,832	
Euro (EUR)	EUR	26,816	₱ 1,683,472	1.00		26,816	
				(1.00)		(26,816)	
Chinese RMB (RMB)	RMB	116,945	₱ 918,327	1.00		116,945	
				(1.00)		(116,945)	
Vietnam Dong (VND)	VND	277,043	₱ 640	1.00		277,043	
				(1.00)		(277,043)	

There is no other impact on the Group's equity other than those already affecting the net income.

Equity price risk

AFS financial assets are acquired at certain prices in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, the country's economic performance, political stability, and domestic inflation rates, these prices change, reflecting how market participants view the developments. The Group's investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each sector and market.

Liquidity Risk

Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at loss due to wider than normal bid-offer spreads.

The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues, both on-shore and off-shore.

Credit Risk

Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's holding of cash and short-term investments and receivables from customers and other third parties exposes the Group to credit risk of the counterparty. Credit risk management involves dealing with institutions for which credit limits have been established. The Group's Treasury Policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures.

21. Related Party Transactions

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

The Group, in its regular conduct of business, has entered into transactions with associates, joint ventures and other related parties principally consisting of advances, loans and reimbursement of expenses, purchase and sale of real estate properties, various guarantees, construction contracts, and development, management, underwriting, marketing and administrative service agreements. Sales and purchases of goods and services as well as other income and expense to and from related parties are made at normal commercial prices and terms. The terms and other details of the September 30, 2018 related party transactions are generally aligned with the terms and other details provided in the December 31, 2017 audited financial statements.

There has not been any material transaction during the last two years, or proposed transaction, to which the Group was or is to be a party, in which any of its directors or executive officers, any nominee for election as a director or any security holder identified in this interim condensed financial information had or is to have a direct or indirect material interest.

In 2014, Company adopted a Related Party Transactions (RPT) policy which provides that related party transactions between the Company and related parties shall be subject to review and approval to ensure that they are at "arm's length", the terms are fair, and they will inure to the best interest of the Company and its shareholders. Material significant related party transactions are reviewed by the Risk Management and Related Party Transactions Committee of the Board and properly disclosed in this interim condensed financial information and in the previous year's audited financial statements.

Highlights of related party transactions follow:

Transactions with BPI

The Group maintains current and savings account, money market placements and other short-term investments with BPI amounting to ₱40,270.4 million and ₱33,506.0 million, as of September 30, 2018 (unaudited) and December 31, 2017 (audited), respectively (see Notes 4 and 5). The Other Current Assets account as of September 30, 2018 (unaudited) and December 31, 2017 (audited) includes ₱631.0 million and ₱83.0 million Financial Assets at FVPL of ALI with BPI, respectively (see Note 8). The Group also has short-term and long-term debt payable to BPI amounting to ₱37,830.8 million and ₱29,591.4 million as of September 30, 2018 (unaudited) and December 31, 2017 (audited), respectively. These short-term and long-term debts are interest bearing with varying rates, have various maturities starting 2018 and varying schedules of payments for interest (see Note 16).

Receivable from Related Parties

The Group has ₱6,504.0 million and ₱3,070.3 million receivable from related parties as of September 30, 2018 (unaudited) and December 31, 2017 (audited) respectively. Increase in receivable from related parties pertain to real estate group accounts. The balances pertain mostly to interest and non-interest bearing advances with various maturities from 30 days to 2 years. Advances include certain residential development projects which become due as soon as the projects are completed. The receivables also include certain trade receivables arising from automotive and other sales. This account also includes other receivables relating to reimbursement of operating expenses like management fees, among others. The trade and other receivables are unsecured, interest free, will be settled in cash and are due and demandable (see Note 6).

Receivables from Officers and Employees

The Group has ₱1,503.4 million and ₱1,479.5 million receivables from officers and employees as of September 30, 2018 (unaudited) and December 31, 2017 (audited), respectively. These pertain to housing, car, salary and other loans granted to the Group's officers and employees, which are collectible through salary deduction, are interest bearing ranging from 6.0% to 10.0% per annum and have various maturity dates ranging from 2018 to 2027 (see Note 6).

Payables to Related Parties

The Group has payables to various related parties amounting to ₱1,131.4 million and ₱1,873.9 million as of September 30, 2018 (unaudited) and December 31, 2017 (audited), respectively. These payables include: a) cost of lots for joint development projects; b) purchased parts and accessories and vehicles; and c) advances and reimbursements for operating costs. These are all interest-free, unsecured, will

be settled in cash. Maturities of these payables range from 15 days to one year, with some accounts due and demandable (see Note 14).

Income and Expenses

The Group realized total income of ₱1,090.6 million and ₱554.5 million from related parties and incurred total expenses of ₱1,024.8 million and ₱472.3 million for the periods ended September 30, 2018 and 2017, respectively (both unaudited). These 2018 amounts represent 0.5% and 0.6% of the Group's total income and expenses, respectively. These consist of, among others, income from real estate, automotive sales, professional services and interest/financing as well as expenses on interest, water utilities, communications and professional fees (see Note 16).

22. Events after the Reporting Period

ALI Group

- a) On October 5, 2018, ALI issued 8 billion bonds due on 2023 at 100% of Face Value and with a fixed interest rate of 7.0239% per annum, representing the final tranche of ALI's ₱50 billion, three-year shelf registration approved by the SEC in March 2016. On October 5, 2018, ALI issued and listed on the Philippine Dealing & Exchange Corp. a ₱8.0 billion bond (Bond) due October 2023 with a coupon of 7.0239% p.a. The Bond was assigned an issue credit rating of PRS AAA with a Stable Outlook, by the Philippine Rating Services Corp., the highest grade indicating minimal credit risk. The issuance represents the final tranche of ALI's ₱50.0 billion three-year debt securities program approved by the SEC in March 2016.

MWC Group

- a) On October 2, 2018, the BOD approved the declaration of cash dividends for the second semester of 2018, amounting to ₱0.4283 and ₱0.04283 per share on the outstanding common shares and participating preferred shares, respectively, payable on October 31, 2018 to stockholders of record as of October 17, 2018.
- b) On October 12, 2018, MWPVI received the Notice of Award from the Tanauan Water District for the implementation of the joint venture project for the design, improvement, upgrade, rehabilitation, and expansion of water supply and sanitation facilities including the financing and construction of such facilities and infrastructure in the service area of the Tanauan Water District, and the management, operation, and maintenance of such water supply and sanitation facilities and the provision of the services necessary or incidental thereto in the Tanauan Water District's service area.
- c) On October 15, 2018, MWPVI received a Notice to Proceed from the municipality of San Fabian, Pangasinan following the enactment of the municipality's ordinance granting a franchise to MWPVI to establish, construct, operate, manage, repair, and maintain water supply system and facilities, and the provision of septage management in the municipality of San Fabian, Pangasinan.

The franchise shall be for a term of twenty-five (25) years and is expected to be operational by 2020.

ACEHI Group

- a) On October 12, 2018, ACEHI, in partnership with AMI Renewables Energy Joint Stock Co., signed EPC and financing documents for the development of solar plants in Vietnam. The joint venture announced its plans to build solar farms totaling 80 megawatts in the provinces of Khanh Hoa and Dak Lak, to be commissioned in time for the June 2019 solar feed-in tariff deadline. The projects are estimated to cost USD 83 million, financed with debt and equity. ACEHI will participate with at least 50% economic share. Indovina Bank of Vietnam and RCBC of the Philippines will provide non-recourse financing for the Dak Lak and Khanh Hoa projects respectively.

ACEHI formed a platform company with AMI Renewables last year to build renewable energy plants in Vietnam, including the 352 MW Quang `Binh wind project.

AEI Group

- a) On October 1, 2018, HI, iPeople, AC and AEI signed the definitive agreements for the merger of AEI with iPeople. The merger shall be subject to the approval of the stockholders of AEI and iPeople and securing the necessary regulatory approvals. Post-merger, listed iPeople shall be the surviving entity, with HI and AC controlling 51.3% and 33.5%, respectively. The transaction values the combined entity at approximately ₱15.5 billion.

Section 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Ayala Corporation's net income grew three percent year-on-year in the first nine months of the year to ₱23.9 billion, supported by strong earnings growth of its real estate, telecommunications and power businesses. However, growth was tempered by higher parent company interest expense resulting from increased borrowings to support Ayala's capital expenditures and investments.

Consolidated Sales of Goods and Services

Total sales and service revenues reached ₱202 billion. Excluding the impact of the adoption of Philippine Financial Reporting Standards (PFRS) 15 reclassification, sale of goods expanded 18 percent on the back of strong sales across all segments of Ayala Land, notably in vertical developments which doubled during the period. In addition, higher sales recorded by IMI from its Europe, China, Mexico, and Philippine units combined with contribution from VIA Optronics bolstered consolidated sales during the period.

Service revenues, meanwhile, jumped 17 percent on strong contributions of Ayala Land, Manila Water, and AC Energy.

Real Estate

Ayala Land sustained its earnings momentum, with net income growing 17 percent year-on-year to ₱20.8 billion primarily driven by its residential segment, supported by the commercial leasing business.

Revenues surged 21 percent to ₱119.7 billion on the back of solid property development growth, supported by commercial leasing revenue expansion. Property development revenues jumped 23 percent to ₱82.8 billion on new bookings and project completions. Meanwhile, reservation sales grew 15 percent to ₱108.4 billion. On the other hand, commercial leasing revenues climbed 14 percent to ₱25.3 billion on higher contributions of newly opened malls, offices, and hotels.

Ayala Land's diversification strategy continued to gain traction. New estates or growth centers accounted for 54 percent of Ayala Land's net income while the established estates (Makati, BGC, Nuvali, and Cebu) accounted for 46 percent.

Ayala Land spent ₱77.9 billion in capital expenditures in the first nine months of the year, comprising 70 percent of its full-year budget. Bulk of the amount was allocated to residential projects.

Water

Manila Water recorded net income of ₱4.9 billion, one percent higher from the previous year, led by the Manila Concession and Manila Water Asia Pacific.

Revenues expanded seven percent to ₱14.4 billion on higher billed volume growth in the Manila Concession, which grew three percent to 378 million cubic meters on increase in billed connections.

Manila Water secured approval from Metropolitan Water and Sewerage System (MWSS) for a positive tariff adjustment between ₱5.94 – ₱6.18 per cubic meter, or nearly 25 percent of the current basic tariff for the Fourth Rate Rebasing Period. The first tranche of the adjustment was successfully implemented on October 16, 2018, by way of a ₱1.46 increase per cubic meter. Subsequent adjustments are programmed for 2020 and 2021; each amounting to ₱2.00. Moreover, MWSS incorporated a possible additional incremental adjustment in 2022, from ₱0.76 to a ₱1.04 increase. This is contingent to the development and execution of key water source projects.

Revenues from Manila Water Philippine Ventures (MWPV), which includes Clark Water, Laguna Water, Boracay Water, Cebu Water, and Estate Water climbed five percent to ₱2.4 billion buoyed by healthy tariff levels. Its net income, however, was tempered by higher cost of sales and operating expenses which surged 35 percent to ₱1.7 billion.

MWPV recently received a Notice of Award from Tanauan Water District for the provision of water supply and sanitation services in Tanauan, Batangas. The project totals ₱1.51 billion over the 25-year contract period. Moreover, MWPV was recently granted a franchise to provide water supply and sanitation services in San Fabian, Pangasinan. This will be for a term of 25 years with an assumed billed volume of over 12.6 million liters per day.

Meanwhile, Manila Water Asia Pacific continued to post strong performance, with an 82 percent increase in equity share in net income of associates to ₱514 million. The Vietnam operating subsidiaries, namely Thu Duc, Kenh Dong, and Saigon Water, exhibited significant revenue and earnings growth.

Power Generation

AC Energy's net earnings expanded 39 percent to ₱2.8 billion in the first nine months of the year owing largely to higher equity in net earnings across both its thermal and renewable platforms.

Equity in net earnings from AC Energy's investee companies surged 81 percent to ₱2.7 billion on the back of the strong performance and higher equity stake in GN Power Mariveles. Moreover, the fresh contribution of its first greenfield offshore project which started operations in the first quarter, the 75-megawatt Sidrap Wind Farm located in South Sulawesi, Indonesia, lifted AC Energy's equity earnings during the period. Further, the full nine-month contribution of SD Geothermal also provided a boost.

Last month, AC Energy in partnership with AMI Renewables Energy Joint Stock Co., signed EPC and financing documents for the development of solar plants in Vietnam. The joint venture announced its plans to build solar farms totaling 80 megawatts in the provinces of Khanh Hoa and Dak Lak, to be commissioned in time for the June 2019 solar feed-in tariff deadline. The projects are estimated to cost USD 83 million, financed with debt and equity. AC Energy will participate with at least 50 percent economic share.

Recently, AC Energy acquired an approximately 25 percent ownership in The Blue Circle Pte. Ltd. (TBC), as well as co-investment rights in TBC projects. AC Energy and TBC will jointly develop, construct, own and operate TBC's pipeline of around 1,500 megawatts of wind projects across Southeast Asia, including ~700 megawatts in Vietnam. AC Energy's renewable energy pipeline continues to grow as the joint venture expects to start construction of around 200 megawatts of wind farms in Vietnam in 2019. AC Energy has earmarked US\$100 million of equity for these projects.

Industrial Technologies

AC Industrials' net income ended 27 percent lower year-on-year to ₱758 million, largely due to the weaker performance of its automotive businesses and the startup losses from new businesses, which are still ramping up. This decline was partially offset by a one-time gain in its electronic manufacturing services arm.

In vehicle retail and distribution, AC Automotive's net income dropped 65 percent to ₱157 million due to significantly lower earnings of the group's Honda and Isuzu dealerships, both hit by weaker sales amid the industry slowdown. Adding to the decline was the lower contributions from AC Industrials' investments in Isuzu and Honda's Philippine distributorship companies.

In electronics manufacturing, IMI's revenues surged 27 percent to US\$1 billion with corresponding gross profit increase of 22 percent. Gross profit margins, however, declined from last year's 11 percent to 10.6 percent due to higher material, production, and logistics costs arising from the global component shortage. Nine-month 2018 net income reached US\$41.4 million, driven by non-operating income from recent transactions such as the sale of a Shenzhen entity and reversal of contingent liability related to the STI acquisition. These are offset by a partial impairment of recorded goodwill on the acquisition of our China facilities triggered by slowing growth in the region. Weakness of the RMB and EUR also resulted to significant foreign exchange losses.

Share of Profit of Associates and Joint Ventures

Share of profits of associates and joint ventures rose nine percent to ₱15.5 billion boosted by Globe's higher revenues. This was further boosted by higher equity earnings from AC Energy's investee companies, namely GN Power Mariveles, SD Geothermal, and Sidrap. However, this was partially offset by AC Ventures' share in net loss in Zalora and Mynt.

Banking

Bank of the Philippine Islands reported a net income of ₱17.0 billion, flat versus the previous year. In the third quarter, its net income grew 12 percent year-on-year.

Nine-month revenues grew 7.3 percent to ₱56.9 billion on the back of a 15 percent growth in net interest income, which reached ₱40.9 billion. The increase in net interest income was a result of a 9.4 percent increase in average asset base and a 17-basis point expansion in net interest margin. Interest income from loans grew 24.2 percent year-on-year as the yield on interest-earning assets improved 37 basis points. This

was partially offset by a 24-basis point increase in cost of funds due to higher time deposit rates and higher documentary stamp taxes on deposits.

On a quarter-on-quarter basis, net interest margin expanded 14 basis points as a result of favorable loan repricing following the policy rate hike by the Bangko Sentral ng Pilipinas earlier in the quarter. NIM continued its uptrend, reaching 3.24 percent in the third quarter, from 3.1 percent in the second quarter, and from 2.91 percent in the first quarter. This trend is reflective of the bank's proactive balance sheet and funding strategies in response to changes in the interest rate environment.

Total loans stood at ₱1.27 trillion, reflecting a 12.9 percent growth year-on-year, boosted by the strong growth in corporate loans and credit card loans at 13.7 percent and 22 percent, respectively. Total deposits reached ₱1.54 trillion, up by 2.5 percent, with current and savings accounts registering faster growth at 6.4 percent. The bank's CASA ratio stood at 74 percent while the loan-to-deposit ratio was at 82.2 percent.

BPI registered higher fee-based income from its credit card, deposit and rental businesses. However, lower securities trading gains, trust and investment management fees, insurance income and assets sales contributed to an 8.7 percent decline in non-interest income, to ₱16.01 billion from the ₱17.54 billion posted over the same period in 2017.

Provision for loan losses over the period amounted to ₱2.84 billion, 21.2 percent lower year-on-year. Operating expenses totaled ₱32.08 billion for the first nine months of 2018, an increase of 15.2 percent year-on-year on accelerated spending to support the bank's digitalization strategy and the branch network expansion of BPI Direct BanKo. Cost-to-Income ratio was at 56.4 percent as of September 2018, up from 52.5 percent in the previous year. Return on Equity was 10.4 percent, lower by 2.7 percentage points, and Return on Assets was 1.2 percent, lower by 0.12 percentage points, compared to the same period in 2017.

At the end of September 2018, the bank's total assets stood at ₱1.96 trillion, up by 8.9 percent, while total capital reached ₱245.93 billion, up by 37.4 percent on account of the May 2018 stock rights offering. Capital Adequacy Ratio (CAR) was at 16.99 percent and Common Equity Tier 1 Ratio (CET1) was at 16.09 percent.

In August, the bank successfully raised US\$600 million in the international bond market, the largest issuance of a Philippine bank in the offshore debt market. The five-year senior unsecured fixed rate S note issuance with a coupon rate of 4.25 percent was the maiden drawdown under BPI's USD 2 billion medium-term note program. The bond was listed on the Singapore Exchange with a Baa2 rating assigned by Moody's Investor Service.

Telco

Globe Telecom's service revenues grew nine percent to ₱103.3 billion fueled by strong data-related revenue growth across all business segments as it continued to expand its 4G and LTE network amid growing demand for content-rich offerings and multi-media applications. As the market continues to shift from traditional services to data-related products, Globe's data-related businesses accounted for 59 percent of its service revenues during the period.

Mobile data boosted Globe's mobile revenues, which expanded 26 percent to ₱39.5 billion. Mobile subscribers grew 10 percent to 65.4 million in the first nine months of the year.

Globe's home broadband business performed well during the period, up 15 percent to ₱13.5 billion, bolstered by subscriber expansion in the fixed wireless segment. Home broadband subscribers grew 23 percent to 1.5 million. Similarly, corporate data business rose 11 percent to ₱8.4 billion with the sustained increase in customer base, circuit count, and usage.

On the back of strong revenue growth and controlled costs, EBITDA expanded 21 percent to ₱49.1 billion, with an EBITDA margin of 47 percent. On a post-PFRS basis, Globe posted a net income of ₱15.2 billion in the first nine months of the year, mainly due to the strong EBITDA expansion offsetting depreciation charges and non-operating expenses booked for the period.

Please note that all post-PFRS numbers quoted are only estimates and will be finalized once Globe's automation efforts on the adoption of the new accounting standards are completed.

In the first nine months of the year, Globe spent ₱32.5 billion in capital expenditures to support the continued growth of its subscriber base and the growing demand for data-related services. To date, Globe has a total of 40,522 base stations, with close to 27,000 for 4G to support the service requirements of its customers.

Last week, Globe's Board of Directors approved the proposed change in the dividend policy from 75 percent to 90 percent of prior year's core net income to 60 percent to 75 percent of prior year's core net income. This will be applied to the dividend declaration in 2019. The amended policy will provide Globe with increased flexibility in capital management. This adjustment will also ensure the sustainability of the operations in this investment-heavy environment, while protecting future dividends, once planned expansion yields beneficial results.

Other Income

Other income grew 31 percent to ₱15 billion driven by Manila Water's higher rehabilitation works, AC Energy's other income, and IMI's one-time gain relating to a sale of a property in China. This was further supported by Ayala Land's foreign exchange gain and net gain from transactions related to its investment in MCT.

Costs and Expenses

Consolidated cost of sales expanded to ₱144.8 billion. Without the impact of PFRS 15 reclassification, cost of goods sold increased by 18 percent. In step with revenue growth, cost of rendering services improved 16 percent, which included higher cost of services in AC Energy's retail electricity supply unit. This was partly offset by lower cost incurred by Manila Water owing to a change in overhead allocation and depreciation method.

General and administrative expenses expanded 39 percent to ₱20.8 billion mainly on the combined increments in the group's expenses, particularly Ayala Land's taxes, contracted services, depreciation, and consolidation of MCT. Moreover, Manila Water's management fees and manpower-related expenses and AC Industrials' manpower costs and expenses related to MT Technologies and Merlin Solar contributed to the increase. In addition, IMI's restructuring costs resulting from its employee relocation in China, impact of the consolidation of VIA Optronics and STI, and impairment of certain assets. Isolating the effect of new accounts, the year-on-year growth was 18%, on a comparable basis.

Balance Sheet Highlights

At the end of September 2018, Ayala's total assets stood at ₱1.1 trillion. Investments in associates and joint ventures expanded 19 percent to ₱240.5 billion attributed to Ayala's subscription to BPI's stock rights offering as well as new investments of Manila Water in East Water in Thailand and PT Sarana in Indonesia, and AC Energy in renewable platforms in Australia and Vietnam. Furthermore, the growth was lifted by additional investments of AC Infrastructure in the LRT 1 project and higher share of net earnings in Globe and investee companies of Ayala Land, Manila Water, and AC Energy. This was partly offset by Ayala Land's consolidation of MCT, which was previously reported as associate as well AC Ventures' equity losses in Zalora and Mynt.

Investments in properties jumped 71 percent to ₱235.4 billion driven by Ayala Land's expansion projects in its malls, office properties, land development initiatives, and the impact of the consolidation of MCT. A reclassification of the land account as required under the PFRS 15 likewise contributed to the increase.

As of September 2018, total debt at the consolidated level stood at ₱411.7 billion, 17 percent higher from the end-2017 level of ₱350.6 billion. This is attributed to additional borrowings of the parent, as well as Ayala Land, Manila Water, IMI, and AC Energy.

Ayala's balance sheet remained healthy with enough capacity to undertake investments and cover its dividend and debt obligations. As of end-September this year, parent level cash stood at ₱16.7 billion while net debt stood at ₱94.6 billion. Ayala's net debt to equity ratio ended at 0.79 at the parent level and 0.73 at the consolidated level. The company's loan-to-value ratio, the ratio of its parent net debt to the total value of its assets, was at 11.1 percent.

The conglomerate's peso-dollar debt split ended at 66:34 in the first nine months of the year. Ayala's dollar denominated debts are fully covered by foreign currency assets.

Key Performance indicators:

The Group maintains healthy financial ratios driven by strong operating performance of major subsidiaries and investees.

The key performance indicators (consolidated figures) that the Group monitors are the following:

Ratio	Formula	September 2018 (Unaudited)	December 2017 (Audited)
Liquidity Ratio	$\frac{\text{Cash/ Cash equivalents + Short-term cash investments}}{\text{Current Liabilities}}$	0.28	0.29
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.31	1.31
Solvency Ratio	$\frac{\text{After-Tax Net Profit + (Depreciation + Amortization)+ Provision for Bad Debts}}{\text{Total Liabilities}}$	0.05	0.05 *
Debt-to-Equity Ratio (Total SHE)	$\frac{\text{Long-term Loans + Short Term Loans}}{\text{Total Stockholders' Equity}}$	0.90	0.85
Assets- to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity Attributable to Owners of the Parent}}$	3.95	3.98
Interest Expense Coverage Ratio	$\frac{\text{EBITDA}}{\text{Interest Expense}}$	5.56	6.20 *
Return on Equity	$\frac{\text{Net Income to Owners of the Parent}}{\text{Equity Attributable to Owners of the Parent (Average)}}$	8.8%	9.6% *
Return on Common Equity	$\frac{\text{Net Income to Owners of the Parent Less Dividends on Preferred Shares}}{\text{Common Equity Attributable to Owners of the Parent (Average)}}$	9.2%	10.2%*
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	3.6%	3.8% *

* Based on Unaudited September 30, 2017.

2.1 Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

The Group does not expect any liquidity problems and is not in default of any financial obligations. The Group complied with the existing loan covenants and restrictions as of September 30, 2018.

2.2 Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation:

None

2.3 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:

None

2.4 Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

For the year 2018, a total of ₱249.4 billion was earmarked at the group level in support of the parent's own investment program as well as the expansion initiatives of its real estate, telecom, water, and energy units, and the ramp-up of its industrial technologies, education, infrastructure, and healthcare businesses.

Ayala

Ayala parent has set aside ₱51.8 billion in capital spending for the year. As of the nine-month period, 81% or ₱42.0 billion of this budget has been deployed with the bulk going to BPI's recent stock rights offer. The Company continues to strategically deploy capital across its businesses to explore new avenues of growth.

ALI

For the year 2018, ALI's consolidated budget for project and capital expenditures amount to ₱110.8 billion of which ₱77.9 billion has been disbursed as of September 30, 2018. The 42% was spent on the completion of residential projects, 23% on the completion of commercial leasing projects, 12% for land acquisition, 12% for estate development and 11% mainly for MCT Bhd. and Prime Orion Philippines, Inc., and other businesses.

MWC

MWC's total capital expenditures in the nine-month period of 2018 amounted to ₱7,454 million, declining by 14% over the same period in 2017.

The Manila Concession spent a total of ₱6,099 million (inclusive of concession fee payments) for capital expenditures in the first nine months of 2018. Meanwhile, total capital expenditures of the domestic subsidiaries dropped by 32% to ₱1,339 million from the ₱1,983 million spent in the same period in 2017. Of the total amount, ₱357 million was used by Laguna Water for its water network expansion, while Tagum Water and Boracay Water disbursed ₱344 million and ₱234 million, respectively. Estate Water spent ₱274 million for its greenfield and brownfield projects, while the balance was spent by Clark Water, Bulacan Water, Obando Water, Calasiao Water, Cebu Water, Zamboanga Water, and MWTS.

IMI

For 2018, IMI expects \$70 million of capital expenditures, a substantial portion of which are related to expansion programs. Capital expenditures are allocated to purchase of new machineries and equipment, construction of new buildings and facilities and other building improvements, maintenance of plants and other facilities and also IT infrastructure. These are intended to expand IMI's capacity and support expected increase in demand as well as recurring maintenance expenses to sustain the IMI's productivity and efficiency. These are being funded by 70% of the net proceeds from the stock rights offering.

ACEHI

For the year 2018, ACEHI's budget for capital expenditures amounts to ₱20.1 billion of which ₱1.7 billion has been disbursed as of the nine-month period mainly for investments in foreign countries mainly Australia and Vietnam.

2.5 Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

The Company's and its subsidiaries' performance will continue to hinge on the overall economic performance of the Philippines and other countries where its subsidiaries operate. Key economic indicators, interest rate and foreign exchange rate movements will continue to impact the performance of the real estate, banking, telecom, water infrastructure, power generation, electronics manufacturing and automotive groups, including the parent Company.

2.6 Any significant elements of income or loss that did not arise from the registrant's continuing operations

None

2.7 There were no material changes in estimates of amounts reported in prior interim period of the current financial year and interim period of the prior financial year, respectively.

None

2.8 Causes for any material variances
(Increase or decrease of 5% or more in the financial statements)

The September 30, 2018 (unaudited) and December 31, 2017 (audited) consolidated financial statements show several significant increases in Balance Sheet and Income Statement accounts (vs. September 30, 2017 balances) relating to the following acquisitions of certain subsidiaries:

In year 2018

1. ALI's increase of ownership share in Modular Construction Technology Bhd. (MCT) from 33% in December 2017 to 72.31% in February 2018.
2. Impact of the adoption of two major accounting standards – PFRS 9 and 15.

In year 2017

3. ACEHI's acquisition of 100% ownership of Visayas Renewable Corp. (VRC) (formerly Bronzeoak Clean Energy), AC Energy DevCo Inc. (AEDCI) (formerly San Carlos Clean Energy), and 66% in Manapla Sun Power Development Corp. (MSPDC) in March 2017; 100% ownership in SCC Bulk Water Supply, Inc. (SCC) and Solienda, Inc. (Solienda) in December 2017.
4. IMI's acquisition of 80% stake in Surface Technology International Enterprises Limited (STI) in April 2017.
5. AITHI/ACI's acquisition of 94.9% ownership of MT Misslbeck Technologies GmbH (MT) in July 2017.

Balance Sheet Items

As of September 30, 2018 (Unaudited) vs. December 31, 2017 (Audited)

Cash and cash equivalents – 13% increase from ₱64,259 million to ₱72,654 million

Increase arising from: AC's loan proceeds partly used for BPI SRO, additional capital infusion in existing subsidiaries and dividend payout; ACEHI's dividends from investment and loan drawdowns; IMI's proceeds from SRO, loans and better operations; MWC's revenue collections and loan proceeds partly used to fund new investments; and ALI's loan proceeds, better operations and consolidation of MCT. These were partly offset by declines in ACIFL/AYC's balance due to advances for/acquisition of Merlin; AITHI/ACI's lower sales; and BHL's additional FVPL investments. This account is at 6% of the total assets as of September 30, 2018 and December 31, 2017.

Short-term investments – 21% increase from ₱5,400 million to ₱6,546 million

Increase due to AC and AYCFL short-term placements. This account is at less than 1% of the total assets as of September 30, 2018 and December 31, 2017.

Accounts and notes receivable (current) – 8% increase from ₱124,109 million to ₱133,991 million

Increase resulting from ALI's surge in sales, partly offset by sale of trade accounts to banks; impact of consolidation of MCT plus impact of reclassification from noncurrent receivables; higher sales of IMI and MWC; ACEHI's RES business and advances for projects; partly offset by AITHI/ACI's decline due to lower sales and AC's dividend receivable in previous year. This account is at 12% of the total assets as of September 30, 2018 and December 31, 2017.

Inventories – 30% increase from ₱76,543 million to ₱99,779 million

Increase pertains to ALI's adjustment in compliance with PFRS 15 guidelines on land classification (see Notes 2 and 7). This account is at 9% and 7% of the total assets as of September 30, 2018 and December 31, 2017, respectively.

Other current assets – 15% increase from ₱45,325 million to ₱51,984 million

Increase pertains to: IMI's higher prepayments and input tax plus impact of PFRS 15 (set up of contract assets); AITHI/ACI's and MWC's higher prepayments on taxes and input tax; ACEHI's input tax; and BHL's additional infusion in certain FVPL investments; partly offset by decline in ALI's input tax net of increase in CWT. The account also includes the assets of AEI preparatory to a sale transaction (see Note 3 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements). This account is at 5% and 4% of the total assets as of September 30, 2018 and December 31, 2017, respectively.

Land and improvements – 100% decrease from ₱93,869 million to ₱171 million

Decrease pertains to ALI's adjustment in compliance with PFRS 15 guidelines on land classification (see Notes 2 and 7). This account is at less than 1% and 9% of the total assets as of September 30, 2018 and December 31, 2017, respectively.

Investments in associates & joint ventures – 19% increase from ₱202,649 million to ₱240,526 million

Increase attributable to AC's direct stake in BPI's SRO; new investments of MWC (East Water – Thailand and PT Sarana - Indonesia) and ACEHI (UPC Renewables Australia and solar unit in Vietnam) and additional investment of AC Infra (LRMHI); plus share in net earnings net of dividends from BPI, Globe, and from existing investees of ALI, MWC and ACEHI groups; partly offset by ALI's consolidation of MCT reported previously as associate; and AVHC's equity losses in Zalora and Mynt. This account is at 21% and 20% of the total assets as of September 30, 2018 and December 31, 2017, respectively.

Investment Properties – 71% increase from ₱137,658 million to ₱235,415 million

Increase related to ALI group's expansion projects mainly on malls, office properties and certain land development plus impact of MCT consolidation as well as the adjustment in compliance with PFRS 15 guidelines on land classification (Notes 2 and 7). This account is at 21% and 13% of the total assets as of September 30, 2018 and December 31, 2017, respectively.

Property, plant and equipment – 12% increase from ₱85,431 million to ₱95,793 million

Increase coming from ACEHI's construction of power plants for GNP Kauswagan's (GNPK) coal unit; ALI's consolidation of MCT; IMI's and MWC's expansion projects. This account is at 8% of the total assets as of September 30, 2018 and December 31, 2017.

Service concession assets – 5% increase from ₱91,050 million to ₱95,787 million

Increase attributable to MWC's additional service concession assets. This account is at 8% and 9% of the total assets as of September 30, 2018 and December 31, 2017, respectively.

Deferred tax assets-net - 14% increase from ₱12,721 million to ₱14,485 million

Increase related to additional deferred tax assets of ALI's leasing group. This account is at 1% of the total assets as of September 30, 2018 and December 31, 2017.

Other noncurrent assets - 26% increase from ₱20,054 million to ₱25,307 million

Increase due to ALI's advances/deferred project development costs; MWC's net increase due to higher FCDA; and BHL's additional investments. The account also includes the Group's pension asset amounting to ₱87 million.¹ This account is at 2% of the total assets as of September 30, 2018 and December 31, 2017.

Short-term debt – 17% increase from ₱29,905 million to ₱34,979 million

Increase in loans due to additional borrowings of MWC and IMI partly offset by ALI's net payments and AITHI/ACI's lower vehicle purchases. This account is at 5% of the total liabilities as of September 30, 2018 and December 31, 2017.

Other current liabilities – 11% decrease from ₱25,984 million to ₱23,007 million

Decrease due to ALI's lower customer deposits, IMI's closing of acquisition related accounts and AVHC's settlement of subscription payable for new investments (Zalora). This account is at 3% and 4% of the total liabilities as of September 30, 2018 and December 31, 2017, respectively.

Long-term debt (current) – 249% increase from ₱13,732 million to ₱47,958 million

Increase in loans due to additional borrowings and maturing debts of ALI, AYCFL and MWC. This account is at 7% and 2% of the total liabilities as of September 30, 2018 and December 31, 2017, respectively.

Long-term debt (noncurrent) – 7% increase from ₱306,975 million to ₱328,741 million

Increase in loans due to additional borrowings of AC, ACEHI and MWC; partly offset by debt payments of AYCFL and ALI. This account is at 48% and 50% of the total liabilities as of September 30, 2018 and December 31, 2017, respectively.

¹ The Company's pension fund is known as the AC Employees Welfare and Retirement Fund (ACEWRF). ACEWRF is a legal entity separate and distinct from the Company, governed by a board of trustees appointed under a Trust Agreement between the Company and the initial trustees. It holds common and preferred shares of the Company in its portfolio. All such shares have voting rights under certain conditions, pursuant to law. ACEWRF's portfolio is managed by a committee appointed by the fund's-trustees for that purpose. The members of the committee, all of whom are Managing Directors of the Company, are Jose Teodoro K. Limcaoco. (the Company's Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer & Finance Group Head), Solomon M. Hermosura (the Company's Chief Legal Officer, Corporate Secretary, Compliance Officer, Data Protection Officer & Corporate Governance Group Head), John Philip S. Orbeta (the Company's Chief Human Resources Officer & Corporate Resources Group Head), Ma. Cecilia T. Cruzabra (the Company's Treasurer), and Josephine G. de Asis (the Company's Comptroller). ACEWRF has not exercised voting rights over any shares of the Company that it owns.

Service concession obligation (non-current) – 12% decrease from ₱7,748 million to ₱6,853 million

Decrease was due to periodic payments made by MWC as well as to the reclassification of noncurrent to current account. This account is at 1% of the total liabilities as of September 30, 2018 and December 31, 2017.

Deferred tax liabilities – 9% increase from ₱8,108 million to ₱8,845 million

Increase attributable to increase in deferred tax liabilities of ACEHI. This account is at 1% of the total liabilities as of September 30, 2018 and December 31, 2017.

Pension liabilities¹ – 5% increase from ₱2,601 million to ₱2,742 million

Increase due to increase in pension liabilities of AITH/ACI, IMI and ALI groups. This account is at less than 1% of the total liabilities as of September 30, 2018 and December 31, 2017.

Other noncurrent liabilities – 21% increase from ₱43,234 million to ₱52,190 million

Increase primarily due to ALI's higher deposits and MWC's higher retentions payable and customer guaranty deposits. This account is at 8% and 7% of the total liabilities as of September 30, 2018 and December 31, 2017, respectively.

Paid-in capital – 11% increase from ₱75,001 million to ₱83,298 million

Increase attributable to the issuance of common shares to a single long-term institutional investor (see Note 17 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements). This account is at 18% of the total equity as of September 30, 2018 and December 31, 2017.

Net unrealized gains (losses) on available-for-sale financial assets – 113% increase from negative ₱1,108 million to positive ₱146 million

Increase in the market value of securities held by BPI group as AFS financial assets including impact of PFRS 9. This account is at less than 1% of the total equity as of September 30, 2018 and December 31, 2017.

Cumulative translation adjustments - 120% increase from ₱2,794 million to ₱6,155 million

Increase due to upward impact of net foreign assets, significantly coming from ACEHI, IMI and BHL. Forex of PhP vs US\$ increased causing higher CTA figure (₱54.02 in September 2018 vs. ₱49.93 in December 2017). This account is at 1% of the total equity as of September 30, 2018 and December 31, 2017.

Equity Reserve - 16% decrease from ₱11,600 million to ₱9,689 million

Decrease related to ALI's equity transactions for additional investment in POPI and consolidation of MCT. This account is at 2% and 3% of the total equity as of September 30, 2018 and December 31, 2017, respectively.

Retained earnings – 12% increase from ₱170,302 million to ₱190,857 million

Increase represents share in Q3 2018 group net income net of dividends declared and the effect of adoption of PFRS 9 and 15 accounting standards. This account is at 42% and 41% of the total equity as of September 30, 2018 and December 31, 2017, respectively.

Non-controlling interests – 10% increase from ₱154,745 million to ₱169,534 million

Higher amount represents share in Q3 2018 group net income and OCI net of dividends declared by subsidiaries to its non-controlling interests. This account is at 37% and 38% of the total equity as of September 30, 2018 and December 31, 2017, respectively.

Income Statement items

For the Period Ended September 30, 2018 (Unaudited) vs. September 30, 2017 (Unaudited)

In 2017, the Group changed the presentation of its consolidated statement of income from the single step to the multiple step presentation. This presentation better reflects and distinguishes other income from revenue and other charges from the operating expenses of the Group. Prior years consolidated statements of income have been re-presented for comparative purposes. The change in presentation has no impact on the consolidated net income, equity, cash flows and earnings per share of the Group.

For 2018, the Group classified certain revenues and its related costs, from goods to rendering of service, in compliance with provisions of PFRS 15 (see Note 2 and a recap of the classification is in the following table):

in Millions

	Revenues				Cost			
	2018	2017	Inc (Dec)		2018	2017	Inc (Dec)	
Sale of goods	100,366	125,304	22,793	18%	74,117	99,273	17,800	18%
PFRS 15 Reclass *	47,731	-			42,956	-		
PFRS 15 Adjustment **	836	-			712	-		
Rendering of service	52,744	45,166	8,413	19%	26,976	23,213	4,475	19%
	<u>201,677</u>	<u>170,470</u>	<u>31,207</u>	<u>18%</u>	<u>144,761</u>	<u>122,486</u>	<u>22,275</u>	<u>18%</u>

*all IMI's revenues are determined to be contract sales, not sale of goods.

**pertains to IMI's services already rendered but has not been completed

Sale of goods and rendering services – 18% net increase from a total of ₱170,470 million to ₱201,677 million

Factoring out impact of adoption of PFRS 15, sale of goods increased by 18% due to higher sales of ALI group coming from all segments with condo sales doubling for the period; and IMI from its Europe, China, Philippines and Mexico units plus contribution of Via. Service revenues improved by 19% contributed by ALI, MWCI and ACEHI group, the latter arising from consolidation of new subsidiary and its RES unit. As a percentage to total revenue, this account is at 90% in September 30, 2018 and 2017.

Share of profit of associates and joint ventures – 9% increase from ₱14,228 million to ₱15,552 million

Increase coming from Globe's higher revenues, capitalization of project cost plus impact of PFRS 15 and ACEHI's share in net earnings of GMCP, Salak-Darajat and UPC Sidrap; partly offset by AVHC's share in net losses of Zalora and Mynt. As a percentage to total revenue, this account is at 7% in September 30, 2018 and 2017.

Interest income – 23% increase from ₱4,747 million to ₱5,822 million

Increase mainly coming from interest income from ALI and MWC groups. This account is at 3% of the total revenue in September 30, 2018 and 2017.

Dividend income – 34% decrease from ₱647 million to ₱427 million

Decrease in dividend income arising lower dividend income of AITHI/ACI, BHL and ACEHI. This account is at less than 1% of the total revenue in September 30, 2018 and 2017, respectively.

Cost of sales and rendering services – 18% net increase from ₱122,486 million to ₱144,761 million

Factoring out impact of adoption of PFRS 15, cost of goods increased by 18% aligned with the higher revenues. Cost of rendering services increased by 19% also consistent with higher revenues and also arising from ACEHI's costs of RES unit, partly offset by MWC's decline in cost (due to change in overhead allocation and depreciation method). As a percentage to total costs and expenses, this account is at 87% and 89% in September 30, 2018 and 2017, respectively.

General and administrative expenses – 39% increase from ₱14,964 million to ₱20,770 million

Increase mainly on combined increments in the group's expenses specifically from: ALI (taxes, contracted services and depreciation plus impact of consolidation of MCT), MWCI (management fees, manpower-related, selling expenses, provision for doubtful accounts and taxes), AITHI/ACI (manpower-related costs and expenses of MT and Merlin), IMI (restructuring costs of Shenzhen plant, consolidation of VIA and STI and partial impairment of certain goodwill asset), and AC (higher retirement contributions and donations). As a percentage to total costs and expenses, this account is at 13% and 11% in September 30, 2018 and 2017, respectively.

Other income – 31% increase from ₱11,440 million to ₱14,973 million

Increase due to MWC's higher rehabilitation works; ACEHI's other income which includes negative goodwill arising from new investment and liquidated damages; IMI's gross gain on sale of property in Shenzhen (\$27.48M) and reversal of contingent liability (Note 15); and ALI's net gain from transactions relating to investment in MCT (Note 3) and forex gain, partly offset by previous year's revaluation gain on investments; the increase was partly offset by BHL's decline related to last year's divestment gains.

Interest and other financing charges – 28% increase from ₱10,795 million to ₱13,768 million

Increase due to higher interest expenses of ALI, AC/AYC, IMI and MWC.

Other charges – 6% increase from ₱6,394 million to ₱6,767 million

Increase due to higher rehabilitation works costs of MWC.

Provision for income tax (current and deferred) – 30% increase from ₱8,756 million to ₱11,582 million
Increase primarily due to higher taxable income of several subsidiaries significant portion is attributable to ALI's on account of better sales/revenues and other operating results and ACEHI's deferred income tax.

Income attributable to Non-controlling interests – 14% increase from ₱14,902 million to ₱16,938 million
Increase resulting from better operating results of most subsidiaries of the Group.

2.9 Any seasonal aspects that had a material effect on the financial condition or results of operations.

Ayala Corporation being a holding company has no seasonal aspects that will have any material effect on its financial condition or operational results.

ALI's leasing portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter from shopping centers due to holiday spending.

ALI's development operations do not show any seasonality. Projects are launched anytime of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.

MWC group does not have any significant seasonality or cyclicity in the interim operation, except for the usually higher demand during the months of April and May and in the months of November to December in the case of Globe group.

BPI, IMI and other subsidiaries of the Group do not have seasonal aspects that will have any material effect to their financials or operations.

3.0 Any material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

Refer to Note 22 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements.

3.1 Other material events or transactions during the interim period.

Refer to Notes 3 and 10 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements.

PART II – OTHER INFORMATION

The other major information about the Group are disclosed in the appropriate notes in the previously filed Audited Consolidated Financial Statements for December 31, 2017 or in the SEC 17A / SEC 17Q and SEC 17-C reports for 2017.

In addition, the Group has the following other major information:

1. On April 20, 2018, at the annual meeting of the Company's stockholders, the following are the major items approved:
 - a. Approval of minutes of the annual stockholders' meeting held on April 21, 2017.
 - b. Approval of Corporation's Annual Report, which consists of the Chairman's Message, President's Report, and the audio-visual presentation to the stockholders, and to approve the consolidated audited financial statements of the Corporation and its subsidiaries as of December 31, 2017, as audited by the Corporation's external auditor SyCip Gorres Velayo & Co.
 - c. Election of the following as directors effective immediately and until their successors are elected and qualified:

Jaime Augusto Zobel de Ayala
Fernando Zobel de Ayala
Ramon R. Del Rosario, Jr. (Independent Director)
Delfin L. Lazaro
Xavier P. Loinaz (Independent Director)
Keiichi Matsunaga
Antonio Jose U. Periquet (Independent Director)
 - d. Election of SyCip, Gorres, Velayo & Co. as the external auditors of the Company for the year 2018.

At its organizational meeting held immediately after the stockholders' meeting, the Company's Board of Directors elected the following:

- a. Chairpersons and Members of the Board Committees:

Executive Committee

Jaime Augusto Zobel de Ayala	Chairman
Fernando Zobel de Ayala	Member
Keiichi Matsunaga	Member

Audit Committee

Xavier P. Loinaz (independent director)	Chairman
Ramon R. del Rosario, Jr. (independent director)	Member
Keiichi Matsunaga	Member

Risk Management and Related Party Transactions Committee

Antonio Jose U. Periquet (independent director)	Chairman
Ramon R. del Rosario, Jr. (independent director)	Member
Keiichi Matsunaga	Member

Corporate Governance and Nomination Committee

Ramon R. del Rosario, Jr. (independent director)	Chairman
Xavier P. Loinaz (independent director)	Member
Antonio Jose U. Periquet (independent director)	Member

Personnel and Compensation Committee

Ramon R. del Rosario, Jr. (independent director)	Chairman
Delfin L. Lazaro	Member
Keiichi Matsunaga	Member

Finance Committee

Delfin L. Lazaro	Chairman
Antonio Jose U. Periquet (independent director)	Member
Jaime Augusto Zobel de Ayala	Member
Fernando Zobel de Ayala	Member

Committee of Inspectors of Proxies and Ballots

Solomon M. Hermosura	Chairman
Catherine H. Ang	Member
Josephine G. De Asis	Member

b. Mr. Xavier P. Loinaz as lead independent director.

c. Officers:

Jaime Augusto Zobel de Ayala	- Chairman & Chief Executive Officer
Fernando Zobel de Ayala	- Vice Chairman, President and Chief Operating Officer
Cezar P. Consing	- Senior Managing Director
Bernard Vincent O. Dy	- Senior Managing Director
Arthur R. Tan	- Senior Managing Director
Jose Rene Gregory D. Almendras	- Managing Director and Public Affairs Group Head
Alfredo I. Ayala	- Managing Director
Paolo Maximo F. Borromeo	- Managing Director & Corporate Strategy and Development Group Head
Ferdinand M. dela Cruz	- Managing Director
John Eric T. Francia	- Managing Director
Solomon M. Hermosura	- Managing Director, Chief Legal Officer, Corporate Secretary, Compliance Officer, Data Protection Officer & Corporate Governance Group Head
Jose Teodoro K. Limcaoco	- Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head
Ruel T. Maranan	- Managing Director
John Philip S. Orbeta	- Managing Director, Chief Human Resources Officer, and Corporate Resources Group Head
Catherine H. Ang	- Executive Director and Chief Audit Executive
Ma. Cecilia T. Cruzabra	- Executive Director and Treasurer
Josephine G. De Asis	- Executive Director and Controller
Dodjie D. Lagazo	- Assistant Corporate Secretary
Joanne M. Lim	- Assistant Corporate Secretary

d. Ayala Group of Companies Management Committee

Jaime Augusto Zobel de Ayala	- Chairman and Chief Executive Officer, Ayala Corporation
Fernando Zobel de Ayala	- Vice Chairman, President and Chief Operating Officer, Ayala Corporation
Jose Rene Gregory D. Almendras	- President, AC Infrastructure Holdings Corporation and Public Affairs Group Head, Ayala Corporation
Alfredo I. Ayala	- President, AC Education, Inc.
Paolo Maximo F. Borromeo	- President, Ayala Healthcare Holdings, Inc. and Corporate Strategy and Development Group Head, Ayala Corporation
Cezar P. Consing	- President, Bank of the Philippine Islands
Ernest Lawrence L. Cu	- President, Globe Telecom, Inc.
Ferdinand M. Dela Cruz	- President, Manila Water Company, Inc.
Bernard Vincent O. Dy	- President, Ayala Land, Inc.
John Eric T. Francia	- President, AC Energy Holdings, Inc.
Solomon M. Hermosura	- Chief Legal Officer, Corporate Secretary, Compliance Officer, Data Protection Officer & Corporate Governance Group Head, Ayala Corporation
Jose Teodoro K. Limcaoco	- Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer & Finance Group Head, Ayala Corporation
Ruel T. Maranan	- President, Ayala Foundation, Inc.
John Philip S. Orbeta	- Chief Human Resources Officer & Corporate Resources Group Head, Ayala Corporation
Arthur R. Tan	- Chief Executive Officer, Integrated Micro-Electronics, Inc. and President, AC Industrial Technology Holdings, Inc.

e. Ayala Corporation Management Committee

Jaime Augusto Zobel de Ayala
Fernando Zobel de Ayala
Jose Rene Gregory D. Almendras
Paolo Maximo F. Borromeo
John Eric T. Francia
Solomon M. Hermosura
Jose Teodoro K. Limcaoco
John Philip S. Orbeta

2. On September 11, 2018, the Board of Directors, at its regular meeting held this day, ratified and approved the resolution of the Executive Committee authorizing the issuance of 8,810,000 common shares of stock at a price of ₱916 per share to a foreign institutional investor (see Note 17 of Notes to Unaudited Interim Condensed Consolidated Financial Statements).
3. On October 2, 2018, the Company informed that Ms. Ma. Cecilia T. Cruzabra has resigned as the Company's Treasurer effective October 31, 2018, to become the Chief Finance Officer, Treasurer, Group Director for Corporate Finance and Strategy, and Compliance Officer of Manila Water Company Inc. Mr. Jose Teodoro K. Limcaoco has been designated as the Company's Acting Treasurer effective November 1, 2018, and will serve as such concurrently with his current positions in the Company as Chief Finance Officer, Chief Risk Officer and Chief Sustainability Officer, pending the appointment of the regular Treasurer to succeed Ms. Cruzabra.

On October 18, 2018, that Executive Committee appointed Mr. Estelito C. Biacora as Treasurer effective November 1, 2018. The Corporate Governance and Nomination Committee has earlier endorsed the appointment. Mr. Biacora will replace Ms. Ma. Cecilia T. Cruzabra who has resigned as the Treasurer effective October 31, 2018, to become the Chief Finance Officer, Treasurer, Group Director for Corporate Finance and Strategy, and Compliance Officer of Manila Water Company, Inc. The appointment of Mr. Biacora supersedes the designation as Acting Treasurer effective November 1, 2018, of Mr. Jose Teodoro K. Limcaoco, our Chief Finance Officer, Finance Group Head, Chief Risk Officer and Chief Sustainability Officer.

SIGNATURES

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

Registrant **AYALA CORPORATION**

By:


JOSEPHINE G. DE ASIS
Authorized Signatory
Comptroller
Ayala Corporation

Date: November 14, 2018