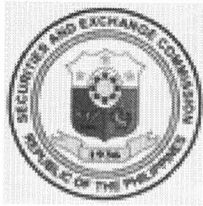




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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
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Company Information

SEC Registration No. 0000034218
Company Name AYALA CORP.
Industry Classification
Company Type Stock Corporation

Document Information

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(Company's Full Name)

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A	L	A		A	V	E	N	U	E	,		M	A	K	A	T	I		C	I	T	Y							

(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	4	5	9
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Total No. Of Stockholders

Total Amount of Borrowings

₱39.9 billion bonds

Domestic

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Foreign

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)

June 30, 2019

(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: **June 30, 2019**
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 June 30, 2019
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	631,151,659****

* all are in treasury shares

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

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

**** of which 3,805,644 shares are in treasury

Amount of debt outstanding as of June 30, 2019: **₱39,903.4 million 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 June 30, 2019, a total of 627,098,147 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 3,805,644 common shares, 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 June 30, 2019 make reference to certain financial information and disclosures in the December 31, 2018 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, 2018*.

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), Manila Water Company, Inc. (MWC) and AC Energy, Inc. (AC Energy), 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, 2018 audited financial statements and SEC17A reports and SEC17Q report as of June 30, 2019.**

**The audited consolidated financial reports and SEC 17A report of Ayala Corporation and Subsidiaries as of December 31, 2018 are available at the Company's website www.ayala.com.ph.*

***The audited consolidated financial reports and SEC 17A reports as of December 31, 2018 as well as SEC 17Q report as of June 30, 2019 of the following listed companies under the Group are available in the following websites: ALI www.ayalaland.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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SIGNATURES

PART I FINANCIAL INFORMATION

Section 1 Financial Statements

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at June 30, 2019 (With Comparative Audited Figures as at December 31, 2018)
(Amounts in Thousands)

	June 2019 Unaudited	December 2018 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱ 85,778,826	₱ 60,624,263
Short-term investments (Note 5)	2,244,285	5,956,489
Accounts and notes receivable (Note 6)	105,349,903	105,518,572
Contract assets (Note 9)	39,667,088	52,209,458
Inventories (Note 7)	109,083,341	120,560,493
Other current assets (Note 8)	74,986,320	67,890,147
Total Current Assets	417,109,763	412,759,422
Noncurrent Assets		
Noncurrent accounts and notes receivable (Note 6)	29,720,698	6,366,250
Noncurrent contract assets (Note 9)	19,218,866	35,929,990
Investments in associates and joint ventures (Note 10)	251,306,557	240,140,558
Investment properties (Note 12)	246,854,568	227,645,548
Property, plant and equipment (Note 12)	130,297,821	104,492,357
Service concession assets (Note 13)	101,522,257	98,404,486
Intangible assets (Note 11)	16,820,576	16,553,369
Right-of-use assets (Note 2)	16,017,264	-
Deferred tax assets - net (Note 11)	15,801,659	15,546,040
Other noncurrent assets (Note 8)	52,336,396	40,087,599
Total Noncurrent Assets	879,896,662	785,166,197
Total Assets	₱ 1,297,006,425	₱ 1,197,925,619
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Note 16)	₱ 34,609,691	₱ 39,518,245
Accounts payable and accrued expenses (Note 14)	178,059,870	204,758,244
Contract liabilities (Note 9)	6,299,346	21,988,850
Lease liabilities (Note 2)	951,535	-
Income tax payable	4,256,325	3,406,921
Other current liabilities (Note 15)	29,625,937	11,129,234
Current portion of:		
Long-term debt (Note 16)	23,400,357	48,480,559
Service concession obligation	667,321	820,802
Total Current Liabilities	277,870,382	330,102,855
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	384,157,399	324,262,828
Contract liabilities - net of current portion (Note 9)	8,432,289	8,630,235
Service concession obligation - net of current portion	7,719,323	7,018,211
Lease liabilities - net of current portion (Note 2)	17,290,427	-
Deferred tax liabilities - net	11,046,943	10,999,354
Pension liabilities	2,734,211	2,589,852
Other noncurrent liabilities (Note 15)	53,733,573	45,213,929
Total Noncurrent Liabilities	485,114,165	398,714,409
Total Liabilities	762,984,547	728,817,264
Equity		
Equity attributable to owners of the parent company		
Paid-in capital (Note 17)	83,612,970	83,361,675
Share-based payments	234,181	238,871
Remeasurement losses on defined benefit plans	(1,262,920)	(1,299,319)
Fair value reserve of financial assets at fair value through other comprehensive income	417,096	(544,555)
Cumulative translation adjustments	498,230	2,276,669
Equity reserve	25,906,626	10,872,124
Equity conversion option (Note 16)	-	1,087,015
Retained earnings (Note 17)	234,892,239	196,914,989
Treasury stock	(5,492,319)	(2,300,000)
	338,806,103	290,607,469
Non-controlling interests	195,215,775	178,500,886
Total Equity	534,021,878	469,108,355
Total Liabilities and Equity	₱ 1,297,006,425	₱ 1,197,925,619

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)

	2019		2018	
	Apr to June	Jan. to June	Apr to June	Jan. to June
REVENUE (Note 19)				
Sale of goods and rendering of services	₱ 71,445,131	₱ 137,510,946	₱ 70,510,371	₱ 134,523,593
Share in net profits of associates and joint ventures	5,221,716	11,145,735	5,002,654	10,049,323
Interest income	2,877,432	5,212,390	2,169,831	3,556,341
Dividend income	63,702	77,092	338,545	577,279
	79,607,981	153,946,163	78,021,401	148,706,536
COSTS AND EXPENSES				
Costs of sales and services	49,638,920	96,263,397	51,359,366	96,352,817
General and administrative	8,785,599	16,082,916	7,480,328	13,825,890
	58,424,519	112,346,313	58,839,694	110,178,707
OTHER INCOME (CHARGES)				
Other income	27,385,795	30,941,116	6,004,478	10,873,845
Interest and other financing charges	(5,750,444)	(11,346,606)	(4,681,110)	(9,018,394)
Other charges	(2,233,778)	(3,653,690)	(1,705,529)	(4,791,830)
	19,401,573	15,940,820	(382,161)	(2,936,379)
INCOME BEFORE INCOME TAX	40,585,035	57,540,670	18,799,546	35,591,450
PROVISION FOR INCOME TAX				
Current	4,552,211	8,223,479	3,773,489	7,690,649
Deferred	(331,489)	(396,098)	275,698	259,934
	4,220,722	7,827,381	4,049,187	7,950,583
NET INCOME	₱ 36,364,313	₱ 49,713,289	₱ 14,750,359	₱ 27,640,867
Net Income Attributable to:				
Owners of the parent	₱ 29,806,526	₱ 37,837,536	₱ 8,410,944	₱ 16,067,956
Non-controlling interests	6,557,787	11,875,753	6,339,415	11,572,911
	₱ 36,364,313	₱ 49,713,289	₱ 14,750,359	₱ 27,640,867
EARNINGS PER SHARE (Note 18)				
Basic	₱ 46.83	₱ 59.06	₱ 13.01	₱ 24.82
Diluted	₱ 46.81	₱ 58.89	₱ 12.81	₱ 24.44

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)

	2019		2018	
	Apr to June	Jan. to June	Apr to June	Jan. to June
NET INCOME	₱ 36,364,313	₱ 49,713,289	₱ 14,750,359	₱ 27,640,867
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising from translations of foreign investments	(3,319,423)	(2,323,334)	(49,012)	2,746,505
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gains (losses) on defined benefit plans	(56,881)	17,235	5,216	(102,505)
Changes in fair values of financial assets at FVOCI - net	(137,722)	3,298	(29,466)	7,343
	(3,514,026)	(2,302,801)	(73,262)	2,651,343
SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising from translations of foreign investments	(124,254)	(212,477)	23,628	304,363
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gains (losses) on defined benefit plans	34,981	33,801	(7,763)	(8,003)
Changes in fair values of financial assets at FVOCI - net	420,434	1,033,800	(206,538)	1,163,151
	331,161	855,124	(190,673)	1,459,511
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(3,182,865)	(1,447,677)	(263,935)	4,110,854
TOTAL COMPREHENSIVE INCOME	₱ 33,181,448	₱ 48,265,612	₱ 14,486,424	₱ 31,751,721
Total Comprehensive Income Attributable to:				
Owners of the Parent Company	₱ 27,147,519	₱ 37,057,147	₱ 8,055,813	₱ 19,344,141
Non-controlling interests	6,033,929	11,208,465	6,430,611	12,407,580
	₱ 33,181,448	₱ 48,265,612	₱ 14,486,424	₱ 31,751,721

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 COMPANY												
	Other Comprehensive Income												
	Paid-in Capital	Share-based Payments	Remeasurement Gains (Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Fair Value Reserve of Financial Assets at FVOCI	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
	For the period ended June 30, 2019 (Unaudited)												
At January 1, 2019, as previously stated	₱ 83,361,675	₱ 238,871	₱ (1,299,319)	₱ -	₱ (544,555)	₱ 2,276,669	₱ 10,872,124	₱ 1,087,015	₱ 196,914,989	₱ (2,300,000)	₱ 290,607,469	₱ 178,500,886	₱ 469,108,355
Effect of adoption of new accounting standards (Note 2)	-	-	-	-	-	-	-	-	139,714	-	139,714	-	139,714
As of January 1, 2019 (Restated)	83,361,675	238,871	(1,299,319)	-	(544,555)	2,276,669	10,872,124	1,087,015	197,054,703	(2,300,000)	290,747,183	178,500,886	469,248,069
Net Income	-	-	-	-	-	-	-	-	37,837,536	-	37,837,536	11,875,753	49,713,289
Other comprehensive income (loss)	-	-	2,598	-	(72,149)	(1,565,962)	-	-	-	-	(1,635,513)	(667,288)	(2,302,801)
Share in other comprehensive income (loss) of associates and joint ventures	-	-	33,801	-	1,033,800	(212,477)	-	-	-	-	855,124	-	855,124
Total comprehensive income (loss)	-	-	36,399	-	961,651	(1,778,439)	-	-	37,837,536	-	37,057,147	11,208,465	48,265,612
Exercise of ESOP/ESOWN	251,295	(4,690)	-	-	-	-	-	-	-	-	246,605	-	246,605
Acquisition of treasury stocks	-	-	-	-	-	-	-	-	-	(3,192,319)	(3,192,319)	-	(3,192,319)
Exercise of exchange option	-	-	-	-	-	-	12,323,299	(1,087,015)	-	-	11,236,284	3,901,950	15,138,234
Cash Dividends	-	-	-	-	-	-	-	-	-	-	-	(2,963,559)	(2,963,559)
Change in non-controlling interests	-	-	-	-	-	-	2,711,203	-	-	-	2,711,203	4,568,033	7,279,236
At June 30, 2019 (Unaudited)	₱ 83,612,970	₱ 234,181	₱ (1,262,920)	₱ -	₱ 417,096	₱ 498,230	₱ 25,906,626	₱ -	₱ 234,892,239	₱ (5,492,319)	₱ 338,806,103	₱ 195,215,775	₱ 534,021,878

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY												
	Other Comprehensive Income												
		Share-based	Remeasurement	Net Unrealized	Fair Value								
	Paid-in Capital	Payments	Gains (Losses) on Defined Benefit Plans	Gain (Loss) on Available-for-Sale Financial Assets	Reserve of Assets at FVOCI	Cumulative Translation Adjustments	Equity Reserve	Conversion Option	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
	For the period ended June 30, 2018 (Unaudited)												
As of January 1, 2018, as previously stated	₱ 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 new accounting standard:	-	-	-	1,107,962	725,971	-	-	-	(1,163,193)	-	670,740	-	670,740
As of January 1, 2018 (Restated)	75,001,174	248,212	(1,303,288)	-	725,971	2,794,303	11,600,281	1,113,003	169,138,835	(2,300,000)	257,018,491	154,744,637	411,763,128
Net Income	-	-	-	-	-	-	-	-	16,067,956	-	16,067,956	11,572,911	27,640,867
Other comprehensive income (loss)	-	-	(40,113)	-	33,290	1,823,497	-	-	-	-	1,816,674	834,669	2,651,343
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(8,003)	-	(670,782)	304,363	-	-	-	-	(374,422)	-	(374,422)
Total comprehensive income (loss)	-	-	(48,116)	-	(637,492)	2,127,860	-	-	16,067,956	-	17,510,208	12,407,580	29,917,788
Exercise of ESOP/ESOWN	109,258	(9,341)	-	-	-	-	-	-	-	-	99,917	-	99,917
Exercise of exchange option	-	-	-	-	-	-	300,984	(46,770)	-	-	254,214	75,395	329,609
Cash Dividends	-	-	-	-	-	-	-	-	(2,151,488)	-	(2,151,488)	(2,970,948)	(5,122,436)
Change in non-controlling interests	-	-	-	-	-	-	(5,912,295)	-	-	-	(5,912,295)	4,636,207	(1,276,088)
At June 30, 2018 (Unaudited)	₱ 75,110,432	₱ 238,871	₱ (1,351,404)	₱ -	₱ 88,479	₱ 4,922,163	₱ 5,988,970	₱ 1,066,233	₱ 183,055,303	₱ (2,300,000)	₱ 266,819,047	₱ 168,892,871	₱ 435,711,918

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY														
Other Comprehensive Income														
	Paid-in Capital	Share-based Payments	Remeasurement Gains (Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Fair Value Reserve of Financial Assets at FVOCI	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity	
For the year ended December 31, 2018 (Audited)														
As of January 1, 2018, as previously stated	₱ 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 new accounting standards	-	-	-	1,107,962	153,233	-	-	-	413,714	-	1,674,909	227,531	1,902,440	
As of January 1, 2018 (Restated)	75,001,174	248,212	(1,303,288)	-	153,233	2,794,303	11,600,281	1,113,003	170,715,742	(2,300,000)	258,022,660	154,972,168	412,994,828	
Net Income	-	-	-	-	-	-	-	-	31,817,721	-	31,817,721	23,247,393	55,065,114	
Other comprehensive income (loss)	-	-	(303,679)	-	(641,715)	(910,365)	-	-	-	-	(1,855,759)	(86,212)	(1,941,971)	
Share in other comprehensive income (loss) of associates and joint ventures	-	-	307,648	-	(56,073)	392,731	-	-	-	-	644,306	-	644,306	
Total comprehensive income (loss)	-	-	3,969	-	(697,788)	(517,634)	-	-	31,817,721	-	30,606,268	23,161,181	53,767,449	
Issuance of shares	8,056,257	-	-	-	-	-	-	-	-	-	8,056,257	-	8,056,257	
Exercise of ESOP/ESOWN	304,244	(340)	-	-	-	-	-	-	-	-	303,904	-	303,904	
Cost of share-based payments	-	(9,001)	-	-	-	-	-	-	-	-	(9,001)	-	(9,001)	
Exercise of exchange option	-	-	-	-	-	-	288,161	(25,988)	-	-	262,173	77,840	340,013	
Cash Dividends	-	-	-	-	-	-	-	-	(5,618,474)	-	(5,618,474)	(5,664,159)	(11,282,633)	
Change in non-controlling interests	-	-	-	-	-	-	(1,016,318)	-	-	-	(1,016,318)	5,953,856	4,937,538	
At December 31, 2018 (Audited)	₱ 83,361,675	₱ 238,871	₱ (1,299,319)	₱ -	₱ (544,555)	₱ 2,276,669	₱ 10,872,124	₱ 1,087,015	₱ 196,914,989	₱ (2,300,000)	₱ 290,607,469	₱ 178,500,886	₱ 469,108,355	

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)

	June 2019	June 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱ 57,540,671	₱ 35,591,450
Adjustments for:		
Interest and other financing charges - net of amount capitalized	11,346,606	9,018,394
Depreciation and amortization	8,089,358	6,776,715
Cost of share-based payments	33,986	17,787
Provision for impairment losses	287,557	17,354
Mark to market gain on financial assets at fair value through profit or loss (FVPL) and derivatives	(143,222)	(326,360)
Dividend income	(77,092)	(577,279)
Other investment income	(538,212)	(11,508)
Gain on sale of:		
Investments	(24,312,491)	(19,394)
Other assets	(19,918)	(12,528)
Interest income	(5,212,390)	(3,556,341)
Share of profit of associates and joint ventures	(11,145,735)	(10,049,322)
Operating income before changes in operating assets and liabilities	35,849,118	36,868,968
Decrease (increase) in:		
Accounts and notes receivable - trade	(9,218,959)	14,441,124
Contract assets	29,253,544	-
Inventories	12,345,424	4,060,421
Service concession asset	(3,651,619)	(5,203,171)
Other current assets	(10,820,509)	(4,384,439)
Increase (decrease) in:		
Accounts payable and accrued expenses	(26,819,147)	(2,621,327)
Contract liabilities	(15,887,450)	-
Net pension liabilities	(9,461)	169,502
Other current liabilities	18,242,318	(7,852,644)
Net cash generated from operations	29,283,259	35,478,434
Interest received	4,616,261	3,505,933
Interest paid	(11,593,272)	(8,725,664)
Income tax paid	(7,374,076)	(7,555,234)
Net cash provided by operating activities	₱ 14,932,172	₱ 22,703,469
(Forward)		

	June 2019	June 2018
	Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale/maturities of investments in FVOCI / AFS	₱ 65,605	₱ 347,472
Sale/redemptions of investments in associates and joint ventures	32,235,484	14,038
Disposals of:		
Property, plant and equipment	91,881	1,392,146
Investment properties	-	106,217
Maturities of (additions to) short-term investments	3,712,204	(505,995)
Deductions/transfers (additions) to:		
Service concession assets	(16,083)	(7,391)
Investments in associates and joint ventures	(7,688,719)	(31,796,701)
Property, plant and equipment	(24,800,688)	(5,918,097)
Investment properties	(20,780,367)	(14,544,931)
Land and improvements	-	(2,055,275)
Accounts and notes receivable - non-trade	(9,046,988)	(8,873,208)
Investment in bonds and other securities	(3,150,733)	(922,169)
Intangible assets	557,589	598,074
Dividends received from associates, joint ventures and investments in equity securities	5,210,414	5,551,748
Acquisitions through business combinations - net of cash acquired	(3,548,479)	(4,015,819)
Increase in other noncurrent assets	(2,476,123)	(5,243,848)
Net cash used in investing activities	(29,635,003)	(65,625,039)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term and long-term debt	101,468,329	59,485,476
Payments of short-term and long-term debt	(61,880,461)	(14,540,449)
Buyback of common shares	(3,192,319)	-
Dividends paid	(6,128,782)	(5,540,298)
Service concession obligation paid	(308,621)	(224,306)
Collections of subscriptions receivable	212,618	82,130
Increase in:		
Other noncurrent liabilities	6,811,688	7,542,208
Non-controlling interests in consolidated subsidiaries	2,874,943	(1,951,894)
Net cash provided by financing activities	39,857,395	44,852,867
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,154,564	1,931,297
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	60,624,262	64,259,279
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱ 85,778,826	₱ 66,190,576

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 (AOI) to extend the corporate term for 50 years from January 23, 2018. The amendment to the AOI was approved by the Securities and Exchange Commission (SEC) on April 5, 2017. 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 47.28% 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, infrastructure, international real estate, healthcare, education, and technology ventures.

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, 2018 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, 2018.

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 August 8, 2019, 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 consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2018, except for the new PFRS, amended PFRS, improvements to PFRS and interpretations which were adopted beginning January 1, 2019. The nature and the impact of each new standards and amendments are described below:

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest (SPPI) on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of

which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application 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 also be 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.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard permit transitional reliefs and practical expedients for the measurements of lease liabilities and right of use assets arising from leases previously classified as operating lease.

Transition to PFRS 16

The Group has chosen to apply the modified retrospective transition method (i.e. to apply PFRS 16 retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, 1 January 2019).

The Group has elected to use the transition practical expedient in applying PFRS 16 to contracts that were previously identified as leases applying PAS 17 and IFRIC 4. The Group will therefore not apply PFRS 16 to contracts that were not previously identified as containing a lease applying PAS 17 and IFRIC 4.

The Group has elected to apply the certain practical expedients provided by the standard:

1. Use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
2. The Group will rely on its assessment of whether leases are onerous immediately before the date of initial application,
3. The Group will not apply the requirements of PFRS 16 to leases for which the lease term ends within 12 months from the date of initial application,

The Group has also elected to use the recognition exemptions proposed for lease contracts, that at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases) and lease contracts for which the underlying asset is of low value (low-value assets)

Impact of PFRS 16

The impact of PFRS 16 adoption is as follows:

a) Nature of the effect of adoption of PFRS 16

The Group has lease contracts for various items of office space, facilities, plant, machinery, vehicles and other equipment. Before the adoption of PFRS 16, the Group classified each of

its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Trade and other payables, respectively.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 was applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The following table shows the individual line items affected by the adjustments from the adoption of PFRS 16 (in thousand pesos).

	Pre-PFRS 16	PFRS 16 impact	Post-PFRS 16
For the period ended June 30, 2019			
<i>Income Statement</i>			
Increase in rent and depreciation expenses	₱ 562,339	32,627	₱ 594,966
ROU interest expense	-	292,193	292,193
Decrease in share in net profit of associates and joint ventures	-	25,516	25,516
Provision for income tax - deferred	-	217,073	217,073
Decline in Net Income	₱ 562,339	₱ 133,264	₱ 695,603
As of June 30, 2019			
<i>Balance Sheet</i>			
Right-of-use (ROU) asset			₱ 16,017,264
Deferred tax asset			4,936,202
Increase in Assets			₱ 20,953,466
Lease liability			₱ 18,241,962
Deferred tax liability			4,718,753
Increase in Liabilities			₱ 22,960,715
Beginning Retained Earnings	₱ 196,914,989	₱ 128,915	₱ 197,043,904

Due to the adoption of PFRS 16, the Group's net income declined arising from increase in expenses and interest expense, and slight decline in share in equity earnings of associates and joint ventures.

The adoption of PFRS 16 will also have an impact on equity, specifically opening Retained Earnings.

The adoption did not have a material impact on the Group's operating, investing and financing cash flows.

- *Right-of-use assets*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- *Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value as defined in the accounting policies of subsidiaries. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

- *Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

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

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

- 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:

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

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

- Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in

profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Other than PFRS 16 which impacts the Group and is fully described in the foregoing, all the other amendments, improvements and interpretations listed above that became effective starting January 1, 2019 do not have significant impact on the consolidated financial statements of the Group. However, the Group will continue to assess the impact and other areas of adopting these.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee

approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts
PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

The new standard is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is currently assessing the impact of adopting these amendments.

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	
		June 2019 (Unaudited)	December 2018 (Audited)
AC Energy, Inc. (AC Energy)	Power Generation	100.0 %	100.0 %
AC Infrastructure Holdings Corporation (AC Infra)	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. (AC Industrials)	Industrial Technology and Automotive	100.0	100.0
Ayala Aviation Corporation (AAC)	Air Charter	100.0	100.0
AC Education, Inc. (AC Education)****	Education	-	100.0
Ayala Land, Inc. (ALI)	Real Estate and Hotels	44.4	47.0
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. (AC Health)	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	52.1
Manila Water Company, Inc. (MWC)	Water Infrastructure	51.4	51.4
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. (AC Ventures)	Investment Holding	100.0	100.0

*Incorporated in Cayman Islands

**Incorporated in British Virgin Islands

***Incorporated in Hong Kong

****See related discussion below in AC Education Group.

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

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

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

Parent Company

- On various dates in 2019, the Parent Company infused additional capital to the following subsidiaries: AC Infra amounting to ₱2,079 million mainly for LRT1 project (Cavite extension); AC Industrials amounting to ₱1,840.3 million for operating expenses and various projects; AC Energy amounting to ₱3,412.5 million mainly for PHEN transaction; and AC Health amounting to ₱1,250.0 billion for certain capital expenditure, clinic expansion and new business development.
- The holders of the remaining AYCFL US\$292.8 million guaranteed exchangeable bonds as of December 31, 2018 claimed the option to convert the bonds into 377.5 million ALI common shares, bringing the balance of the guaranteed exchangeable bonds to zero as of June 30, 2019. The Group's effective ownership in ALI was reduced by 2.6% after this exchange.

The total cumulative exchanges of the bonds into shares resulted in an overall 2.6% dilution of Ayala's ownership in ALI and a gain of ₱12.6 billion which was booked under Equity Reserve (see Note 16).

- c) On March 8, 2019, the Parent Company clarified the news article entitled, "Ayala Corp. 2019 capex set at ₱249.4 billion" posted on Business Mirror (Internet Edition) on March 8, 2019. The Company confirmed the statement made by the Chief Finance Officer, Mr. Jose Teodoro K. Limcaoco, that the Ayala group's capital expenditure budget is similar, if not slightly higher than last year. In addition, he confirmed that at the parent level, the capital expenditure budget will be lower compared to last year.
- d) On March 12, 2019, the Board of Directors (BOD), at its regular meeting held this day, approved the following:
 - i. The amendment to the Primary Purpose under the Second Article of our Articles of Incorporation to expressly include, as part of the acts which our Company may perform in furtherance of its primary purpose, its acting as guarantor or surety for the loans and obligations of its affiliates or associates; and
 - ii. The amendments of Sections 5, 6 and 8 of Article III of our By-Laws to allow our shareholders to vote through remote communication or in absentia, subject to the rules and regulations that may be issued by the Securities and Exchange Commission from time to time.

The amendments to the Articles of Incorporation and By-Laws were presented to the stockholders for approval at their annual meeting on April 26, 2019. Given that the stockholders have delegated to the BOD the authority to amend the By-Laws, the amendments to the By-laws will become effective upon the approval by the SEC.

On May 24, 2019, the SEC approved the above amendments in the Parent Company's Articles of Incorporation and By-Laws.

- e) On March 26, 2019, the approved resolution of the Toll Regulatory Board (TRB) on Ayala's 2016 Petition for Approval of Periodic Toll Rate Adjustment with Application for Provisional Relief was received. The approved new toll rates are as follows.

<u>Vehicle Class</u>	<u>VAT Inclusive Rates (Php)</u>		<u>Increment</u>
	<u>Current</u>	<u>Adjusted</u>	
Class I	17.00	17.00	0.00
Class II	34.00	35.00	1.00
Class III	51.00	52.00	1.00

As indicated in the resolution, prior to TRB's issuance of the Notice to Start Collection, Ayala is directed to publish the approved new rates applicable to MCX Expressway (in accordance with TRB rules) and to submit proof of such publication.

- f) On April 24, 2019, the Parent Company confirmed the statement of Chief Finance Officer, Mr. Jose Teodoro K. Limcaoco, in the news article titled, "Ayala on track to post ₱50-billion profit" posted on Manila Standard (Internet Edition) on April 23, 2019.
- g) On April 29, 2019, the Parent Company confirmed the statements in the news article titled, "Ayala launches US\$150 M venture capital fund" posted on Philippine Star (Internet Edition) on April 27, 2019. However, they clarified that the fund will be managed by Kickstart Ventures Inc., which is a subsidiary of Globe Telecom, a joint venture by the Parent Company.
- h) On May 10, 2019, in a press statement, the Company reported a net income of ₱8 billion in the first quarter of the year, five percent higher from a year ago, lifted by its real estate, banking, and telco units and boosted by net accounting gains from the merger of its education arm with the Yuchengco group.

ALI Group

- a) On February 4, 2019, the Executive Committee of ALI approved the exchange of the 20% equity interest acquired from Mitsubishi Corporation in Laguna Technopark, Inc. (LTI), equivalent to 8,051 common shares, with a total value of ₱800.0 million, for additional shares of stock in Prime Orion Philippines, Inc. (POPI), equivalent to 323,886,640 common shares, subject to conditions to be fulfilled by POPI.

On June 10, 2019, the exchange transaction was completed between ALI and AyalaLand Logistics Holdings Corp. (ALLHC, formerly POPI).

- b) On February 27, 2019, the BOD of ALI approved the declaration of cash dividends amounting to ₱0.26 per outstanding common share. These will be paid on March 29, 2019 to shareholders on record as of March 13, 2019.
- c) The BOD of ALI also approved ALI's 2019 stock option program pursuant to their Employee Stock Ownership Plan (ESOWN). The program authorizes the grant to qualified executives, in accordance with the terms of the ESOWN, stock options covering up to a total of 14,430,750 common shares at a subscription price of ₱44.49 per share, which is the average price of our common shares at the Philippine Stock Exchange over the last 30-day trading as of February 26, 2019.

On April 30, 2019, 152 grantees of stock options under ESOWN subscribed to 10,073,389 common shares at ₱44.49 per share and became effective on the same day. As a result of the subscription of these grantees, ALI's outstanding common shares increased to 14,734,581,724.

- d) On 24 April 2019, ALI's subsidiary, AyalaLand REIT, Inc. ("AREIT"), intends to publicly list as a Real Estate Investment Trust ("REIT") under the current Implementing Rules and Regulations of the Securities and Exchange Commission on REITs and following the minimum public ownership requirement of 67%. ALI believes that the REIT initiative is a viable investment vehicle to access new investors, recycle and reinvest capital, and promote the development of the Philippine capital markets as a whole. While ALI intends to initially seed AREIT with prime, Grade-A commercial office assets in Makati, the offer structure, including terms and conditions thereof, are yet to be finalized. Disclosures shall be made in due course, consistent with applicable rules and regulations. AREIT plans to list within the year once all regulatory approvals are in place. AREIT has appointed BPI Capital Corporation as the Issue Manager, Lead Underwriter and Bookrunner for the transaction.
- e) On May 6, 2019, ALI listed the initial tranche of its new ₱50 billion SEC-registered shelf program, the ₱8 billion 7-Year Fixed Rate Bonds on the Philippine Dealing & Exchange Corp. (PDEX) platform. The Bonds has a coupon of 6.3690% per annum and have been rated PRS Aaa, the highest rating assigned by PhilRatings. Obligations rated PRS Aaa are of the highest quality with minimal credit risk.
- f) The voting rights held by the Group in ALI as of June 30, 2019 and December 31, 2018 is equal to 67.3% and 68.7%, respectively.

MWC Group

- a) On January 21, 2019, Laguna AAWater Corporation (LAWC) signed and executed a contractual JVA with the Pagsanjan Water District (PAGWAD). Under the agreement, LAWC shall serve as the contractor or agent of PAGWAD tasked with the operations, management, and maintenance as well as the design, improvement, upgrade, rehabilitation, and expansion of water supply and sanitation facilities within the service area of PAGWAD in Pagsanjan, Laguna.

Upon completion of conditions precedents in the agreement, LAWC and PAGWAD shall execute the project for a period of sixteen (16) years until September 30, 2035.

- b) On January 25, 2019, Manila Water Philippine Ventures, Inc. (MWPVI) received a Notice to Proceed from the Municipality of Manaoag, Pangasinan, granting MWPVI a franchise for the provision and improvement of the water supply operation, maintenance, management, financing and expansion, and the provision of septage management in the Municipality of Manaoag. The franchise granted to MWPVI shall be for a term of twenty five (25) years, excluding two (2) years of construction.
- c) On February 4, 2019, MWC Group and MWPVI (collectively, the "Consortium") signed and executed a joint venture agreement (JVA) with the Tanauan Water District for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply and sanitation facilities and services of the Tanauan Water District in Tanauan City, Batangas (the Tanauan Project). Upon completion of the condition precedent set out in the JVA, the Consortium, through a SPV, and the Tanauan Water District shall execute the Tanauan Project for a period of twenty-five (25) years from the commencement date.

- d) On February 26, 2019, the BOD of MWC approved the declaration of cash dividends of ₱0.4551 per share on outstanding common shares and ₱0.0455 per share on outstanding participating preferred shares with date of record on March 14, 2019 and payment date of March 28, 2019.

On February 26, 2019, the BOD approved the amendment of the second article of incorporation to include the authority to enter into contracts of guarantee and/or suretyships.

- e) On March 26, 2019, MWC announced a one-time voluntary bill waiver for the month of March 2019 consumption, which was reflected in the April 2019 billing to help ease the inconvenience of the water shortage to all customers of MWC in the East Zone.
- f) Effective April 1, 2019, a foreign currency differential of ₱0.52 per cubic meter was implemented to the East Zone customers. This adjustment was based on the exchange rate of USD1 to ₱52.77 and JPY1 to ₱0.468. The FCDA of the water bill will be adjusted to 1.81% of the basic charge.
- g) On April 24, 2019, MWSS imposed a penalty of ₱534 million to MWC for its failure to meet its service obligation to provide 24/7 water supply to its customers. MWC will abide and pay the penalty. MWSS also asked MWC to set aside an additional ₱600 million for the development of a medium to long-term water source for the East Zone. This amount forms part of the Group's General and Administrative Expenses as of June 30, 2019.
- h) On June 14, 2019, Bulakan Water and the BWD signed and executed a Concession Agreement for the design, construction, rehabilitation, operation, maintenance, financing, expansion, and management of water facilities and the provision of water and sanitation services in the Municipality of Bulakan for a period of twenty-five (25) years from the Commencement Date.
- i) The MWC Group has various contingent liabilities arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcomes of which are not presently determinable.

In 2009, OIC Regional Director Roberto D. Sheen of the Environmental Management Bureau-National Capital Region (EMB-NCR) filed a complaint before the Pollution Adjudication Board (PAB) against the Parent Company, Maynilad Water Services, Inc. (Maynilad) and the MWSS for alleged violation of R.A. No. 9275 (Philippine Clean Water Act of 2004), particularly the five-year deadline imposed in Section 8 thereof for connecting the existing sewage line found in all subdivisions, condominiums, commercial centers, hotels, sports and recreational facilities, hospitals, market places, public buildings, industrial complex and other similar establishments including households, to an available sewerage system. Two (2) similar complaints against Maynilad and MWSS were consolidated with this case.

On April 22, 2009, the PAB, through the Department of Environment and Natural Resources (DENR) Secretary and Chair Jose L. Atienza, Jr., issued a Notice of Violation finding the Parent Company, Maynilad and MWSS to have committed the aforesaid violation of R.A. 9275. Subsequently, a Technical Conference was scheduled on May 5, 2009. In the said Technical Conference, the Parent Company, MWSS and Maynilad explained to the PAB their respective positions and it was established that DENR has a great role to play to compel people to connect to existing sewage lines and those that are yet to be established by the Parent Company and Maynilad.

On October 7, 2009, the PAB issued an Order which found the Parent Company, Maynilad and MWSS to have violated the Clean Water Act. The Parent Company filed its Motion for Reconsideration dated October 22, 2009 which the PAB denied in an Order dated December 2, 2009. Hence, the Parent Company filed its Petition for Review dated December 21, 2009 with the Court of Appeals. The Parent Company thereafter filed an amended Petition for Review dated January 25, 2010.

In a Decision dated August 14, 2012, the Court of Appeals denied the Parent Company's Petition for Review and on September 26, 2012, the Parent Company filed a Motion for Reconsideration of the Court of Appeals' Decision.

On April 29, 2013, the Parent Company received the Resolution dated April 11, 2013 of the Court of Appeals, denying its Motion for Reconsideration.

The Parent Company has filed its appeal from the Decision and Resolution of the Court of Appeals in the form of a Petition for Review on Certiorari with the Supreme Court on May 29, 2013. In this Petition, the Parent Company reinforced its argument that it did not violate Section 8 of R.A. 9275 as it was able to connect existing sewage lines to available sewage facilities, contrary to the findings of the Court of Appeals.

According to media reports, the Supreme Court ordered MWSS and the Parent Company on August 7, 2019 to jointly and severally pay ₱921.46 million in fines for its non-compliance with the Clean Water Act. In addition to said amount, MWSS and the Parent Company are to jointly and severally pay a fine in the initial amount 322,102.00 per day subject to further 10 percent increase every 2 years until compliance with Section 8 of the Clean Water Act. As of date of this report, the Parent Company has not received a copy of the Supreme Court decision for it to make an informed assessment and evaluation of the court order

As part of the mandate of the Parent Company as a concessionaire, it has invested more than ₱33 billion for the past 21 years and will continue to invest ₱38.4 billion more until 2022 as part of the government-approved business plan to further improve sewerage and sanitation services in the East Zone.

To date, sewer coverage is more than 15% of the Parent Company's water-served population and 22% in terms of facility acceptance/capacity, a 700% increase from only 3% when it took over in 1997.

- j) The voting rights held by the Group in MWC as of June 30, 2019 and December 31, 2018 is equal to 80.2%.

IMI Group

- a) IMI Singapore declared its intent to issue additional redeemable cumulative preferred stock (RCPS), which was planned to be subscribed by AC Industrials (Singapore) Pte, Ltd., a subsidiary of AC Industrials. The preferred shares have certain features, rights and privileges, which include redemption at the option of the issuer and cumulative, non-participating dividend rights at rates to be determined by the Board of Directors. There is no conversion option to the shareholders to convert the RCPS into ordinary shares of the Company and the shareholders have no voting rights unless the resolution in question varies the rights attached to the RCPS or is for the winding-up of the IMI Singapore.

IMI Singapore received the deposits for future subscription amounting to US\$60.0 million as of June 30, 2019. Allotment and actual issuance of shares transpired in July 2019.

- b) In 2019, IMI finalized the purchase price allocation of VTS-Touchsensor Co., Ltd. with certain changes to the provisional values based on additional information subsequently obtained: The fair value of the property, plant and equipment and intangible asset increased by US\$7.16 million and US\$2.58 million, respectively. The increase in intangible asset is attributable to the fair value of customer relationships. This resulted in recognition of ₱86 million gain booked in the consolidated Other Income.
- c) On April 8, 2019, the BOD of IMI approved the declaration of cash dividend of US\$0.00201 or ₱0.10542 per share to all outstanding common shares as of record date of April 25, 2019 payable on May 7, 2019.
- d) As of June 30, 2019, the Company and AC Industrials effectively own 52.1% of IMI. The voting rights held by the Group in IMI as of June 30, 2019 and December 31, 2018 is equal to 52.1%.

AC Energy Group

- a) On January 9, 2019, PHINMA Corporation approved and signed the Heads of Agreement for the sale of its shares in PHINMA Energy Corporation (PHEN) representing 26.25% ownership interest to AC Energy subject to the execution of the appropriate definitive agreements.

Further to the transaction, AC Energy will acquire PHINMA Corporation's and PHINMA Inc.'s (collectively, "PHINMA") combined 51.48% stake in PHEN via a secondary share sale for approximately ₱3.4 billion, based on the valuation date of December 31, 2018, and is subject to adjustments. AC Energy will also subscribe to approximately 2.632 billion PHEN primary shares at par value (the "PHEN Acquisition").

On February 8, 2019, AC Energy, PHINMA Corporation and PHINMA, Inc. signed the Investment Agreement.

Philippine Competition Commission approval was issued on April 11, 2019.

On June 24, 2019, AC Energy completed the PHEN acquisition. AC Energy acquired PHINMA's shares for ₱3.7 billion and subscribed to PHEN primary shares for ₱2.6 billion. AC Energy made a tender offer for other PHEN shareholders on May 20, 2019 to June 19, 2019. As of June 30, 2019, AC Energy directly owns 66.34% of the PHEN's total outstanding shares of stock.

The provisional values of the identifiable assets and liabilities acquired are as follows: total tangible assets of P19.9 billion, total intangible assets of P328 million and total liabilities of P10 billion.

The purchase price allocation (PPA) for the acquisition of PHEN 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 receivables, investments in subsidiaries associates and joint ventures, property, plant and equipment, intangible assets and goodwill or bargain purchase gain. The PPA will be finalized in 2019 or within one year from the date of closure of this acquisition transaction.

With the PHEN acquisition, AC Energy's economic interest in SLTEC increased from 35% to 80%. The provisional net assets of SLTEC is at P7.3B as of June 2019. Provisional gain or loss on remeasurement of the investment in SLTEC will also be finalized in 2019 or within one year from the date of closure of this acquisition transaction.

The purchase consideration of P6.5 billion upon signing of the agreement was paid in cash and also involves the assumption of debt and other liabilities.

- b) On February 28, 2019, the PCC approved the acquisition by Aboitiz Power Corporation (AboitizPower) of a 49% voting interest and 60% economic interest in AA Thermal, Inc. (AA Thermal Transaction). This follows the signing of a Share Purchase Agreement (SPA) on September 26, 2018 between AboitizPower (as buyer) and Arlington Mariveles Netherlands Holding B.V. (as seller), a wholly-owned subsidiary AC Energy.

On May 2, 2019, AC Energy completed the AA Thermal Transaction valued at US\$572.9 million after applying agreed adjustments pursuant to the SPA.

AC Energy used the carrying value of its investment in AA Thermal to determine the estimated ₱22.7 billion net gain on sale which is reflected in the Group's Income Statement under Other Income and certain GAE accounts. As a result of completing the AA Thermal Transaction, the remaining economic interest in AA Thermal was booked in its carrying value and accounted for under equity method and classified under the Group's Investment in Associates and Joint Ventures (see Note 10).

- c) On April 29, 2019, the Parent Company confirmed the news article titled, "AC Energy, partner looking at wind-power project in Vietnam" posted on Business Mirror (Internet Edition) on April 29, 2019. AC Energy and the BIM Group of Vietnam are expected to collaborate again for a wind-power project in Vietnam, following the inauguration of their 330-megawatt (MW) solar farm. However, discussions are still ongoing and there is no firm commitment on project expansion from either party.
- d) On May 6, 2019, AC Energy in partnership with The Blue Circle ("TBC") signed a Shareholders' Agreement to jointly construct, own and operate the Mui Ne Wind Farm located at the Binh Thuan province, Southeastern coast of Vietnam. Construction for the 40 MW first phase will commence immediately with an estimated cost of US\$92 million, to be financed by debt and equity. The Mui Ne Wind Farm has an expansion potential of up to 170 MW. AC Energy accounts for over 62% of the economic ownership including its 50% direct voting stake. Project completion of the first phase is expected in the first half of 2020, in time for the new wind feed-in-tariff deadline of November 2021.

AC Industrials Group

- a) On January 17, 2019, KP Motor Corporations (KPMC), a wholly-owned subsidiary of AC Industrials, was incorporated. KPMC is primarily engaged to assemble, manufacture, construct, purchase, import, sell on wholesale basis, distribute, export, exchange, mortgage, pledge and otherwise dispose of, and generally to deal in or engage in any commerce relating to automobiles, cars, automobile products, and all kinds of component parts of Kia brand.

On January 30, 2019, AC Industrials relaunched the Kia brand in the Philippines wherein 3 new vehicle models were introduced.

On March 25, 2019, AC Industrials and Roadworthy Cars, Inc. (RCI) executed a subscription agreement for additional subscriptions in KPMC that will result in AC Industrials' ownership at KPMC at 67.2% voting interest and 65% economic interest. AC Industrials also extended a loan to RCI amounting to ₱1.6 billion which bears interest at the rate of 8% per annum and is payable on or before year 2029.

- b) On March 13, 2019, AC Industrials through its subsidiary MT Technologies GmbH, has entered into an agreement with the shareholders of C-CON Group for the acquisition of a 75.1% stake in C-CON Group for a total consideration of EURO 1.1 million. The closing of the transaction transpired on April 1, 2019. C-CON Group is a German engineering, design and manufacturing group catering to the automotive, industrial and aerospace space industries.

The purchase price allocation (PPA) for the acquisition of C-CON 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 provisional PPA will be finalized within one year from the date of closure of this acquisition transaction.

- c) On various dates between January to June 2019, the Parent Company infused additional capital to AC Industrials amounting to ₱1.84 billion to fund its various investments.

AC Infra Group

- a) On various dates between January to June 2019, the Parent Company infused additional capital to AC Infra amounting to ₱2.1 billion to fund its various investments.

AC Education Group

- a) On December 6, 2018, the Philippine Competition Commission approved the merger of AC Education, Inc. (AC Education) and iPeople, inc. (IPO), the Yuchengco Group's publicly listed education investment holding company. Subsequently, AC Education and IPO executed on January 31, 2019 the Plan and Articles of Merger, as approved by the companies' respective boards of directors and stockholders. The Plan and Articles of Merger, in which IPO was the surviving entity, were submitted to the SEC on February 8, 2019 and were approved by the SEC on April 24, 2019.

The merger involved combining AC Education's assets which included the APEC Schools, University of Nueva Caceres and National Teachers College and IPO's assets which included the Mapua University, Malayan Colleges Laguna, Malayan Colleges Mindanao and Malayan High School of Science. The valuation of each of school and asset under AC Education and IPO was determined using standard net asset value and discounted cash flow methodologies.

Subsequently on May 2, 2019, the merger of AC Education with IPO became effective pursuant to the terms of the Plan of Merger. House of Investments, Inc. and its affiliates, and Ayala, now control 51.3% and 33.5%, respectively, of listed IPO, the surviving entity. The transaction values the combined entity at approximately ₱15.5 billion.

Ayala received approximately ₱4.4 billion worth of primary IPO shares from the merger. Additionally, Ayala acquired ₱0.8 billion worth of secondary IPO shares.

Ayala's gain on the merger transaction was computed at ₱0.8 billion and was booked in the Group's consolidated Other Income as of June 30, 2019.

AC Health Group

- a) On March 13, 2019, AC Health signed conditional agreements to subscribe to an additional 2.5% stake in each of the Generika companies namely Actimed, Inc. (Actimed), Novelis Solutions, Inc. (Novelis), Pharm Gen Ventures Corp. (PharmGen) and Erikagen, Inc.

(Erikagen). The total subscription of ₱78 million will result in AC Health having 52.5% ownership in these companies.

The conditions to the issuance of shares include, among others, the approval of the Philippine Competition Commission (PCC) and other regulatory approvals. On June 3, 2019, AC Health received the approval of the PCC on its proposed increase in stake in the Generika companies.

The purchase price allocation (PPA) 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. The provisional goodwill and trademark are subject to reasonable changes as additional information becomes available and the purchase price allocation has been finalized.

The provisional values of the identifiable assets and liabilities acquired and provisional goodwill arising as at the date of acquisition follows: total assets of ₱2,358 million, total liabilities of ₱1,451 million, non-controlling interest of ₱431 million and goodwill of ₱351 million.

AC Health recognized a gain of ₱282 million as a result of measuring at fair value its 50% equity interest in Generika held before the business combination. The gain is included in the Group's Other Income.

Analysis of cash flows on acquisition follows:

	In ₱'000s
Total consideration for 52.5% equity interest acquired	₱828,000
Less: non-cash consideration	750,000
Cash consideration	78,000
Less: Cash acquired from the subsidiary	-
Net cash outflow (included in cash flows from investing activities)	₱78,000

From the date of acquisition, AC Health's share in Generika's revenue and net loss amounted to ₱188 million and ₱0.84 million, respectively. If the combination had taken place at the beginning of 2019, AC Health's share in Generika's revenue and net loss would have been ₱1,165 million and ₱0.768 million, respectively.

- b) AC Health, through its technology arm, Vigos, expanded its digital portfolio with a recent investment in Fibronostics, a global US-based healthcare technology company focusing on non-invasive algorithm-based solutions for diagnostic testing. The agreement was signed by AC Health President and CEO, Paolo Borromeo, AC Health Chief Digital Officer, Christian Besler, and SPRIM Ventures Managing Partner, Dr. Michael Shleifer last May 31, 2019. SPRIM is the bioscience R&D firm from which Fibronostics was spun off.
- c) On various dates in 2019, AC Health made certain infusions in health and wellness related investments including full payment of subscription to Zapfam. These investments include those with ePharmacy and online medicines delivery and hospital operations.
- d) On various dates between January to June 2019, the Parent Company infused additional capital to AC Health amounting to ₱1.25 billion to fund its various investments.

ACIFL

- a) In May 2019, ACIFL repurchased its 110,000,000 shares which were issued and registered in the name of the Parent Company, ACIFL's sole shareholder. The repurchase price was at par of US\$1.00 per share for a total amount of US\$110.0 million. ACIFL remained a wholly owned subsidiary of the Parent Company after the transaction.

AAC

- a) On various dates between January to June 2019, the Parent Company infused additional capital to AAC amounting to ₱158.8 million to support working capital requirements.

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.

	June 2019	December 2018	
	(Unaudited)	(Audited)	
	(In Millions)		
Ayala Land, Inc. and Subsidiaries			
Current assets	₱ 280,580	₱ 302,830	
Non-current assets	411,737	365,990	
Current liabilities	216,896	240,784	
Non-current liabilities	243,124	207,815	
Equity			
Attributable to owners of the parent	198,425	187,300	
Attributable to non-controlling interest	33,872	32,921	
Revenue	39,680	80,390	*
Net income			
Attributable to owners of the parent	15,157	13,538	*
Attributable to non-controlling interest	2,358	2,285	*
Other comprehensive income	186	(59)	*
Manila Water Co. Inc. and Subsidiaries			
Current assets	₱ 11,336	₱ 13,449	
Non-current assets	113,144	109,085	
Current liabilities	15,137	22,708	
Non-current liabilities	54,052	46,204	
Equity			
Attributable to owners of the parent	54,078	52,490	
Attributable to non-controlling interest	1,213	1,131	
Revenue	10,542	9,808	*
Net income			
Attributable to owners of the parent	2,916	3,555	*
Attributable to non-controlling interest	81	86	*
Other comprehensive income	(254)	473	*
Integrated Microelectronics, Inc. and Subsidiaries			
Current assets	US\$ 710	US\$ 697	
Non-current assets	418	380	
Current liabilities	478	526	
Non-current liabilities	181	140	
Equity			
Attributable to owners of the parent	402	403	
Attributable to non-controlling interest	7	8	
Revenue	636	669	*
Net income			
Attributable to owners of the parent	6	32	*
Attributable to non-controlling interest	(1)	1	*
Other comprehensive income	(2)	(5)	*

* Based on unaudited June 30, 2018.

As of June 30, 2019 (unaudited), the proportion of economic ownership held by material non-controlling interest of ALI, MWC and IMI are 55.6%, 48.6% and 47.9%, respectively. As of June 30, 2019 (unaudited), the voting rights held by non-controlling interests of ALI, MWC and IMI are 32.7%, 19.8% and 47.9%, respectively.

4. Cash and Cash Equivalents

This account consists of the following:

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Cash on hand and in banks	₱ 28,954,286	₱ 26,213,080
Cash equivalents	56,824,540	34,411,183
	₱ 85,778,826	₱ 60,624,263

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 Parent Company and related party of the Group, amounting to ₱43.8 billion and ₱26.2 billion, as of June 30, 2019 (unaudited) and December 31, 2018 (audited), respectively (see Note 22).

5. Short-term Investments

This account consists of the following:

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Money market placements	₱ 2,244,285	₱ 5,956,489

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 ₱45.0 million and ₱2,838.4 million, as of June 30, 2019 (unaudited) and December 31, 2018 (audited), respectively (see Note 22).

6. Accounts and Notes Receivable – net

This account consists of the following:

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Trade:		
Real estate	₱ 66,426,603	₱ 54,390,917
Electronics	14,926,116	16,202,397
Automotive	3,202,733	2,896,516
Water infrastructure	2,830,544	2,614,044
Power generation	4,128,593	1,072,345
Information technology and BPO	307,094	261,012
International and others	636,058	47,348
Advances to other companies	33,532,628	24,842,066
Receivable from related parties (Note 21)	10,233,169	8,964,594
Receivable from officers and employees (Note 21)	1,575,520	1,497,997
Dividend receivable	-	1,334,894
Receivable from Bonifacio Water Corporation (BWC)	388,411	388,411
Others	120,380	388,518
	138,307,849	114,901,059
Less allowance for expected credit losses	3,237,247	3,016,237
	135,070,602	111,884,822
Less noncurrent portion	29,720,698	6,366,250
	₱ 105,349,903	₱ 105,518,572

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

June 30, 2019 (Unaudited)

	Neither Past				Past Due But Not Impaired					
	Due Nor		30-60	61-90	91-120	>120	Sub-	Individually		
	Impaired	<30 days	days	days	days	days	Total	Impaired	TOTAL	
Trade:										
Real estate	P	58,050	P 1,656	P 967	P 962	P 959	P 3,558	P 8,103	P 274	P 66,427
Electronics manufacturing		11,488	1,434	785	244	194	728	3,385	53	14,926
Water infrastructure		457	620	167	84	107	208	1,186	1,188	2,831
Automotive		1,151	584	303	389	270	453	1,999	53	3,203
Power generation		4,086	-	-	-	-	-	-	43	4,129
Information technology and BPO		203	75	9	3	17	-	104	-	307
International and others		617	5	7	5	3	0	19	-	636
Receivable from related parties		7,823	653	419	283	130	904	2,390	21	10,234
Concession financial receivable		1,040	-	-	-	-	-	-	-	1,040
Receivable from officers and employees		1,236	11	167	10	8	142	338	2	1,576
Receivable from BWC		388	-	-	-	-	-	-	-	388
Others		7	32	3	7	3	35	80	34	120
TOTAL	P	86,546	P 5,069	P 2,827	P 1,988	P 1,690	P 6,029	P 17,603	P 1,666	P 105,816

The classes of trade receivables of the Group follow:

Real estate

Real estate receivables consist of:

- Residential and office development - pertain to receivables from the sale of high-end, upper middle-income and affordable residential lots and units; economic and socialized housing units and sale of commercial lots; sale of office units; and leisure community developments. Upon adoption of PFRS 15, the Group records any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development trade receivables, as contract asset.
- Corporate business - pertain to lease receivables from office and factory buildings and receivables from sale of industrial lots
- Shopping centers - pertain to lease receivables from retail spaces
- Construction contracts - pertain to receivables from third party construction projects
- Management fees - pertain to receivables from facilities management services
- Others - pertain to receivables from hotel operations and other support services

Sales contract receivables, under residential and office development receivables are collectible in monthly installments over a period of one (1) to ten (10) years. These are carried at amortized cost using the effective interest rate method with annual interest rates ranging from 8.3% to 13%. Titles to real estate properties are transferred to the buyers only once full payment has been made.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Receivables from shopping centers, construction contracts and management fees are due within 30 days upon billing.

Receivables from hotel operations and other support services are normally due within 30 to 90 days upon billing.

The ALI 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 ₱4,231 million in first half of 2019 and ₱12,867 million in 2018. These were sold at discount with total proceeds of ₱3,937 million and ₱12,042 million, respectively. ALI recognized loss on sale, booked under "Other Financing Charges" amounting to ₱294 million and ₱825 million as of June 2019 and 2018 (both unaudited), respectively.

Electronics

Pertain to receivables arising from manufacturing and other related services for electronic products and components and have credit terms averaging 80 days from invoice date.

Automotive

Automotive receivables relate to sale of passenger cars, motorcycles and commercial vehicles and are collectible within 30 to 90 days from date of sale.

Water infrastructure

Water infrastructure receivables arise from water and sewer services rendered to residential, commercial, semi-business and industrial customers of MWC Group and are collectible within 30 days from billing date.

These receivables also include receivables from pipework services collectible within 12 months, receivables from distributors' fees arising from the Exclusive Distributorship Agreement (EDA) entered into by Manila Water Total Solutions Corp. (MWTS), a wholly-owned subsidiary of MWC, with distributors of its Healthy Family drinking water which are collectible within the period that is agreed with the distributors and receivables arising from supervision fees on the development of water and used water facilities which are collectible within thirty (30) days from billing date.

Power generation

Power generation receivables pertain to AC Energy Group's receivable from its various RES customers, Philippine Electric Market Corporation (PEMC), Ilocos Norte Electric Cooperative, Inc. (INEC), Wholesale Electricity Spot Market (WESM) and National Transmission Corporation (TransCo), acting as administrator of FIT system.

Information technology and BPO

Information technology and BPO receivables arise from venture capital for technology businesses; provision of value-added content for wireless services, online business-to-business and business-to-consumer services; electronic commerce; technology infrastructure sales and technology services; and onshore- and offshore-BPO services and are normally collected within 30- to 60- days from invoice date.

International and others

International and other receivables arose from investments in overseas property companies and projects, charter services, agri-business, education and others and are generally on 30- to 60- day terms.

The nature of the Group's other receivables follows:

Advances to other companies

Advances to other companies mainly pertain to ALL'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. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur.

Advances to other companies also includes receivables from MRT Development Corporation (MRTDC) shareholders which pertains to interest-bearing advances made by North Triangle Depot Commercial Corporation (NTDCC) 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.

Receivables from officers and employees

Receivable from officers and employees pertain to housing, car, salary and other loans granted to the Group's officers and employees which are collectible through salary deduction. These are interest bearing ranging from 5.0% to 10.0% per annum and have various maturity dates ranging from 2019 to 2027.

Receivables from BWC

Receivables from BWC pertain to the assigned receivables from the share purchase agreement between MWC and Veolia Water Philippines, Inc. (VWPI) related to the acquisition of VWPI's interest in Clark Water Corporation (CWC) in 2011.

The assigned receivable will be paid by BWC at an amount equal to 30% of the product consumed by all of BWC's customers and the tariff imposed by MWC on its customers falling under the corresponding classification pursuant to the Concession Agreement, and all amounts received by BWC as connection fees from customers, and any fee BWC may charge in relation to the interconnection with the wastewater treatment plant of areas of developments outside the BWC service area. The assigned receivable from BWC is interest bearing and MWC Group classifies as current the portion of its gross receivable from BWC that is due within the next twelve (12) months in accordance with the agreed terms.

Others

Other receivables include accrued interest receivable and other nontrade receivables from non-related entities which are non-interest bearing and are due and demandable.

Provision for Doubtful Accounts amounted to ₱102.9 million and ₱78.3 million for the periods ended June 30, 2019 and 2018 (both unaudited), respectively, which form part of the Group's General and Administrative Expenses.

7. Inventories

This account consists of the following:

	June 30, 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Real estate inventories		
At cost	₱ 93,126,119	₱ 103,959,585
Vehicles	5,108,508	4,640,443
Finished goods	138,486	143,535
Work-in-process	206,966	250,143
Parts and accessories	623,691	541,906
Materials, supplies and others	10,354,309	11,502,053
	109,558,079	121,037,666
Less: Allowance for inventory obsolescence and decline in value	474,738	477,173
	₱ 109,083,341	₱ 120,560,493

The Group's provision for inventory obsolescence amounted to ₱36.3 million and negative ₱29.8 million (net reversal mainly coming from IMI group) for the period ended June 30, 2019 and 2018 (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:

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Prepaid expenses	16,471,884	13,546,821
Input VAT	16,653,028	₱ 15,694,759
Advances to contractors	18,721,878	11,452,729
Financial assets at FVPL	10,002,785	9,236,804
Creditable withholding tax	5,910,454	4,771,550
Deposits in escrow	322,666	322,666
Derivative assets	245,162	65,788
Concession financial receivable	106,600	193,199
Noncurrent assets held for sale	3,546	10,162,121
Others	6,548,318	2,443,710
Other current assets	₱ 74,986,320	₱ 54,343,326
Advances to contractors, deferred charges and other non-current assets	₱ 34,245,617	₱ 23,611,289
Investments in bonds and other securities	6,055,428	3,034,245
Deferred input VAT	5,568,136	6,907,123
Deferred FCDA	2,252,483	2,620,320
Deposits - others	2,689,930	2,478,582
Concession financial receivable	924,988	853,335
Creditable withholding taxes	500,700	500,700
Pension assets	99,115	82,005
Other noncurrent assets	₱ 52,336,396	₱ 40,087,599

Other current assets include deferred charges, letters of credit, among others. Deferred charges pertain to project-related costs already paid but not yet consumed in the actual construction activities. Others account also includes materials, parts and supplies to be used in the construction and maintenance of projects.

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); advances for projects (which include escrow and security deposits on land leases, advance rental payments, noncurrent prepaid management fees, commissions and advertising and promotions); 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. Contract Balances

The contract balances of the Group consist of the following:

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Contract Assets		
Current	₱ 39,667,088	₱ 52,209,458
Noncurrent	19,218,866	35,929,990
Total Contract Assets	₱ 58,885,954	₱ 88,139,448
Contract Liabilities		
Current	₱ 6,299,346	₱ 21,988,850
Noncurrent	8,432,289	8,630,235
Total Contract Liabilities	₱ 14,731,635	₱ 30,619,085

Set out below is the nature of contract assets and liabilities of the Group:

ALI Group

Contract assets are initially recognized for revenue earned from real estate sales as receipt of consideration is conditional on successful completion of installation. Upon completion of performance obligation and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade residential and office development receivables.

Contract liabilities 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 and contract assets based on percentage of completion.

IMI Group

Contract assets are initially recognized for revenue earned from manufacturing of goods as receipt of consideration is conditional on successful completion of the services. When goods are shipped or goods are received by the customer, depending on the corresponding agreement with the customers, the amounts recognized as contract assets are reclassified to trade receivables. Payments are received from customers depending on the credit terms.

Contract liabilities includes short-term advances received to render manufacturing services.

IMI Group applied the practical expedient in PFRS 15 on the disclosure of information about the transaction price allocated to remaining performance obligations given the customer contracts have original expected duration of one year or less.

MWC Group

Contract assets from supervision fees are initially recognized for revenue earned arising from the provision of design and project management services in the development of water and used water facilities. These contract assets are reclassified to "Accounts and notes receivables" upon acceptance and reaching certain construction milestones for the related water and used water facilities.

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 June 30, 2019 (unaudited) and December 31, 2018 (audited) are as follows:

	% of Economic Ownership		Carrying Amounts	
	June 2019 (Unaudited)	December 2018 (Audited)	June 2019 (Unaudited)	December 2018 (Audited)
Domestic:			(In Millions)	
Bank of the Philippine Islands (BPI)	32.9	32.9	₱ 105,259	₱ 101,691
Liontide Holdings Inc. (LHI)*	78.1	78.1	47,409	45,291
Globe Telecom, Inc. (Globe)*	30.9	30.9	25,004	23,215
OCLP Holdings, Inc. (OHI)	21.0	21.0	8,333	8,118
iPEOPLE, inc. (IPO)**	33.5	-	5,557	-
AA Thermal, Inc. (AATI)**	40.0	-	4,987	-
Light Rail Manila Holdings, Inc. (LRMHI)	50.0	50.0	4,484	3,417
Emerging City Holdings, Inc. (ECHI)*	50.0	50.0	3,909	3,911
ALI-ETON Property Development Corporation*	50.0	50.0	2,117	2,109
AKL Properties, Inc. (AKL)*	50.0	50.0	1,942	1,943
Berkshire Holdings, Inc. (BHI)*	50.0	50.0	1,932	1,933
Philippine Wind Holdings Corporation (PWHC)*	42.9	42.9	1,493	1,420
Cebu District Property Enterprise, Inc. (CDPEI)*	35.0	35.0	1,452	1,464
Bonifacio Land Corporation (BLC)	10.0	10.0	1,414	1,428
Asiacom Philippines, Inc. (Asiacom)*	60.0	60.0	1,307	1,308
BF Jade E-Services Philippines, Inc. (BF Jade/Zalora)	44.7	44.7	838	930
Alveo-Federal Land Communities, Inc.*	50.0	50.0	825	789
Rize-Ayalaland (Kingsway) GP Inc. (Rize-Ayalaland)	49.0	49.0	707	794
South Luzon Thermal Energy Corp. (SLTEC)**	-	35.0	-	3,042
GNPower Mariveles Coal Plant Ltd. Co (GMCP)**	-	20.4	-	2,781
GNPower Dinginin Ltd. Co. (GNP Dinginin)**	-	50.0	-	2,023
Generika Group**	-	50.0	-	474
Foreign:				
Star Energy Salak-Darajat B.V. (Salak-Darajat) (incorporated in Indonesia)	19.8	19.8	10,416	10,280
Eastern Water Resources Development and Management Public Company Limited (East Water) (incorporated in Thailand)	20.0	20.0	8,906	8,623
Thu Duc Water B.O.O. Corporation (TDW) (incorporated in Vietnam)	49.0	49.0	3,115	3,074
Kenh Dong Water Supply Joint Stock Company (KDW) (incorporated in Vietnam)	47.4	47.4	2,712	2,721
BIM Renewable / Energy Group	30.0	30.0	2,561	2,360
UPC Renewables Australia (incorporated in Australia)*	50.0	50.0	1,375	1,462
Saigon Water Infrastructure Joint Stock Company (Saigon Water) (incorporated in Vietnam)	38.0	38.0	1,147	1,172
New Energy Investments Corporation (incorporated in Vietnam)*	50.0	50.0	683	1,131
UPC Sidrap HK Ltd. (incorporated in Indonesia)*	11.0	11.0	314	334
UPC Renewables Asia III Ltd. (incorporated in Indonesia)*	51.0	51.0	94	103
Others	Various	Various	1,015	800
			₱ 251,307	₱ 240,141

* Joint ventures.

** Refer to Note 3.

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 Parent Company's investments in its associate and joint venture:

BPI Group

BPI's Consolidated Statements of Condition

	June 2019		December 2018
	(Unaudited)		(Audited)
	(In Millions)		
Total Resources	₱ 2,134,745	₱	2,085,228
Total Liabilities	₱ 1,871,603	₱	1,833,690
Capital Funds Attributable to the Equity Holders of BPI	259,878		248,521
Capital Funds Attributable to the Noncontrolling Interest	3,265		3,017
Total Liabilities and Capital Funds	₱ 2,134,745	₱	2,085,228

BPI's Consolidated Statements of Income

	June 2019		June 2018
	(Unaudited)		(Unaudited)
	(In Millions, except earnings per share)		
Interest Income	₱ 50,503	₱	36,948
Other Income	13,540		11,147
Total Revenues	64,043		48,095
Operating Expenses	24,277		21,220
Interest Expense	18,141		10,875
Impairment Losses	3,482		1,913
Provision for Income Tax	4,280		2,967
Total Expenses	50,180		36,975
Net Income for the Period	₱ 13,863	₱	11,120
Attributable to:			
Equity Holders of BPI	₱ 13,737		11,026
Noncontrolling Interest	126		94
	₱ 13,863	₱	11,120
EPS	₱ 3.05	₱	2.45

- a) On January 29, 2019, total cash dividends paid to common stockholders of record as January 8, 2019 amounted to ₱4.0 billion.
- b) The effective voting rights held by the Group in BPI as of June 30, 2019 and December 31, 2018 is equal to 49.8%.
- c) The Parent Company's share in the net identifiable assets of BPI as of June 30, 2019 (unaudited) amounted to ₱86.6 billion. Dividends received from BPI for the period ended June 30, 2019 (unaudited) amounted to ₱1.3 billion. The fair market value of the Parent Company's investment in BPI as of June 30, 2019 (unaudited) amounted to ₱116.4 billion.

LHI

- a) As of June 30, 2019, 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 ₱71.0 billion as of June 30, 2019 (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

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Millions)	
Current Assets	₱ 63,274	₱ 73,523
Noncurrent Assets	231,563	225,975
Total Assets	₱ 294,837	₱ 299,498
Current Liabilities	₱ 79,538	₱ 85,466
Noncurrent Liabilities	136,415	140,889
Equity Attributable to Equity Holders of the Parent	78,861	73,119
Equity Attributable to Noncontrolling Interest	23	24
Total Liabilities and Equity	₱ 294,837	₱ 299,498

Globe's Consolidated Statements of Income

	June 2019 (Unaudited)	June 2018 (Unaudited)
	(In Millions, except earnings per share)	
Revenues	₱ 81,521	₱ 74,446
Other Income (Losses)	(587)	(123)
Total Revenues	80,934	74,323
Costs and Expenses	63,201	59,613
Provision for Income Tax	5,687	4,735
Total Expenses	68,887	64,348
Net Income	₱ 12,047	₱ 9,975
Total Net Income Attributable to:		
Equity Holders of the Parent	₱ 12,048	9,971
Noncontrolling Interest	(2)	4
Net Income	₱ 12,047	₱ 9,975
EPS:		
Basic	₱ 88.36	₱ 72.81
Diluted	₱ 88.08	₱ 72.53

- a) On November 5, 2018, the BOD approved the proposed change in the dividend policy from 75% to 90% of prior year's core net income to 60% to 75% of prior year's core net income, to be applied to the 2019 dividend declaration. The amended policy will provide Globe with increased flexibility with respect to 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.

On February 11, 2019, the BOD of Globe approved the declaration of the first quarterly distribution of cash dividends of ₱22.75 per share, paid last March 13, 2019 to stockholders on record as of February 26, 2019. The first quarter cash dividend payment total was about ₱3.0 billion.

- b) On May 3, 2019, the BOD approved the declaration of the second quarter cash dividend of ₱22.75 per common share, payable to common stockholders of record as of May 20, 2019. Total dividends amounting to ₱3.00 billion will be payable on May 31, 2019.

On the same date, the BOD approved the declaration of the second semi-annual cash dividend for holders of its non-voting preferred shares on record as of July 26, 2019. The amount of the cash dividend shall be at a fixed rate of 5.2006% per annum calculated in respect of each share by reference to the offer price of ₱500 per share on a 30/360-day basis for the six-month dividend period. Total amount of the cash dividend will be payable on August 22, 2019.

- c) In compliance with the directive of the National Telecommunications Commission (NTC), Globe will move the implementation of 8-digit telephone numbers in Greater Metro Manila to October 6, 2019 to give local banks and credit card companies ample time to prepare. The NTC issued an advisory, ordering local telecommunication companies to move the migration date to October 6, 2019 from March 18, 2019. This was after the Bankers Association of the Philippines (BAP) and the Credit Card Association of the Philippines (CCAP) filed their respective petitions to postpone the migration to a later date to provide banks and credit card companies sufficient time to implement the necessary changes to their operations and systems.
- d) The effective voting rights held by the Group in Globe as of June 30, 2019 and December 31, 2018 is equal to 46.7%.
- e) The Parent Company's share in the net identifiable assets of Globe as of June 30, 2019 (unaudited) amounted to ₱24.4 billion. Dividends received from Globe for the period ended June 30, 2019 (unaudited) amounted to ₱1.9 billion. The fair value of the Company's investment in Globe as of June 30, 2019 (unaudited) amounted to ₱93.1 billion.

11. Intangible Assets and Deferred Tax Assets

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Intangible assets	₱ 16,820,576	₱ 16,553,369
Deferred tax assets - net	₱ 15,801,659	₱ 15,546,040

Increase in intangible assets is related to ALI's leasehold rights and intangibles arising from Generika companies and PHEN acquisitions specifically trademarks and provisional goodwill.

12. Investment Properties and Property, Plant and Equipment

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Investment Properties	₱ 246,854,568	₱ 227,645,548
Property, plant and equipment - net	₱ 130,297,821	₱ 104,492,357

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, ₱95,932 million and ₱84,439 million as of June 30, 2019 (unaudited) and December 31, 2018 (audited), respectively; Investment in Building, ₱95,507 million and ₱87,791 million as of June 30, 2019 (unaudited) and December 31, 2018 (audited), respectively; and Construction-in-Progress, ₱55,415 million as of June 30, 2019 (unaudited) and December 31, 2018 (audited); net of accumulated depreciation and amortization and impairment loss. Total additions to Property, Plant and Equipment and Investment Properties amounted to ₱24.8 billion and ₱20.8 billion, respectively, as of June 30, 2019. Meanwhile proceeds from Property, Plant

and Equipment amounted to ₱91.8 million for the same period.

Increase in investment properties was attributable to ALI Group's expansion projects mainly on malls, office properties and certain land development.

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 would 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 would 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 took 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:

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Accounts payable	₱ 87,108,040	₱ 120,312,117
Accrued expenses		
Project costs	19,549,630	18,641,346
Personnel costs	7,848,883	9,078,336
Professional and management fees	6,095,106	5,422,587
Rental and utilities	4,646,357	3,741,150
Repairs and maintenance	2,340,987	3,093,319
Advertising and promotions	1,644,654	1,416,910
Various operating expenses	966,010	3,479,680
Taxes payable	21,813,903	20,688,048
Liability for purchased land	9,265,000	2,544,623
Retentions payable	5,801,287	6,762,286
Interest payable	3,874,263	4,137,612
Related parties (Note 21)	838,653	1,072,551
Dividends payable	966,094	4,131,317
DRP Obligation	5,301,000	236,362
	₱ 178,059,867	₱ 204,758,244

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.

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.

15. Other Current and Noncurrent Liabilities

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Other current liabilities	₱ 29,625,937	₱ 11,129,234
Other noncurrent liabilities	₱ 53,733,573	₱ 45,213,929

Other current liabilities include the following:

- a) Deposits which pertain to security and customers' deposits. Security deposits are equivalent to three (3) to six (6) months' rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition. Customers' deposits also include deposits paid by MWC Group's customers for the set-up of new connections which will be refunded to the customers upon termination of the customers' water service connections or at the end of the concession, whichever comes first.
- b) Nontrade payables which pertain mainly to non-interest bearing real estate-related payables to contractors and various non-trade suppliers which are due within one year.
- c) Financial liabilities on put option amounting to US\$2.5 million which relate to the acquisitions 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. In 2019 upon finalization of PPA, this put option was subsequently reversed and formed part of the Group's Other income as of June 30, 2019.
- d) This also includes IMI Group's contingent consideration arising from the acquisition of STI amounting to US\$3.7 million. In 2019 upon finalization of the PPA, this contingent liability was subsequently reversed and formed part of the Group's Other income as of June 30, 2019.

Other noncurrent liabilities include the following:

- a. 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.
- b. Retentions payable which 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.
- c. Liability for purchased land which 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.
- d. DRP obligation which 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.
- e. Subscription payable mainly pertaining to POPI's investment in Cyber Bay.
- f. 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.
- g. This account also includes warranty and other non-trade payables which are payable due beyond one year.

Increase in other current and noncurrent liabilities is due to ALI's higher customer deposits and retentions payable.

16. Short-term and Long-term Debt

These accounts consist of the following:

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Short-term debt - Subsidiaries:		
Philippine peso with various interest rates	₱ 27,770,771	₱ 18,120,547
Foreign currency with various interest rates	6,838,920	21,397,698
	₱ 34,609,691	₱ 39,518,245
Long-term debt:		
The Parent Company:		
Bank loans with various interest rates	₱ 29,104,579	₱ 27,405,387
Bonds	39,688,275	39,762,594
	68,792,854	67,167,981
Subsidiaries:		
Loans from banks & other institutions:		
Philippine Peso with various interest rates	104,171,778	76,558,056
Foreign currency with various interest rates	77,475,993	68,364,538
Bonds	100,802,655	105,368,774
Green bonds	20,978,176	-
Fixed for life bonds	20,398,764	20,918,114
Exchangeable bonds	-	15,285,934
Fixed Rate Corporate Notes (FXCNs)	11,959,706	11,986,615
Short-dated notes	2,977,830	7,093,375
	338,764,902	305,575,406
	407,557,756	372,743,387
Less current portion	23,400,357	48,480,559
Non-current portion	₱ 384,157,399	₱ 324,262,828

As of June 30, 2019 (unaudited), total proceeds from availment of short-term and long-term debt amounted to ₱101.5 billion which consists mainly of proceeds from bonds and loans of Ayala (₱3.5 billion), ALI (₱35.3 billion), MWC (₱10.0 billion), AC Energy (₱35.2 billion) and AYCFL (₱16.9 billion), while payments of short-term and long-term debt amounted to ₱77.2 billion which pertains to loan payment of AC (₱1.9 billion), ALI (₱23.4 billion), MWC (₱11.6 billion), AC Energy (₱4.7 billion) and AYCFL (₱34.5 billion).

The Group has short-term and long-term debt payable to BPI amounting to ₱39.0 billion and ₱32.3 billion as of June 30, 2019 (unaudited) and December 31, 2018 (audited), respectively (see Note 22). Interest expense incurred from these debts amounted to ₱542.2 million and ₱443.4 million for the period ending June 30, 2019 and 2018 (both unaudited), respectively (see Note 22).

Loans availed during June 2019 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 period include, among others, the following:

Parent Company

On January 4, 2019, the Parent Company drew down ₱3.5 billion from its ₱5.0 billion, 10-year floating rate loan facility with BPI with initial interest rate of 6.441% p.a.

ALI Group

On February 27, 2019, the BOD of ALI approved the filing with the SEC of a 3-year shelf registration of up to ₱50.0 billion of debt securities ('the Shelf Registration'). It also approved the raising of up to ₱45.0 billion through: (a) retail bonds of up to ₱16.0 billion under the Shelf Registration and listed on the Philippine Dealing and Exchange Corporation (PDEX), (b) SEC-exempt Qualified Buyer Notes of up to ₱4.0 billion for enrollment on the PDEX, and (c) bilateral term loans of up to ₱25.0 billion to partially finance general corporate requirements and to refinance maturing loans.

MWC Group

On February 27, 2019, MWTC signed a THB5.30 billion, five (5)-year term loan facility with Mizuho Bank Ltd. – Bangkok Branch and Bank of Ayudhya Public Company Limited to take out the previous bridge loan used to finance the acquisition of an 18.72% equity stake in East Water.

Clark Water signed a term loan agreement amounting to ₱535.00 million with the Development Bank of the Philippines last March 11, 2019. The proceeds of the loan will be used to partially finance Clark Water's capital expenditure programs.

AC Energy Group

On January 29, 2019, AC Energy, through its wholly-owned subsidiary AC Energy Finance International Limited (ACEFIL), issued US dollar-denominated senior Green Bonds (Bonds) at an aggregate principal amount of US\$225 million with a 5-year tenor and a coupon of 4.75% per annum, priced at 99.451. The Bonds were successfully listed in the Singapore Exchange on January 30, 2019.

On February 12, 2019, IFC invested an additional US\$75 million in AC Energy's Bonds described above via a tap on the facility - bringing the total five-year issue size to US\$300 million. On the same date, ACEFIL also issued 10-year Bonds with a principal amount of US\$110 million, with a coupon of 5.25% per annum, priced at 99.616. These were also listed on the Singapore Exchange.

The Bonds, now with an aggregate principal amount of US\$ 410 million, were issued off a recently established US\$1.00 billion Medium Term Note Programme and are guaranteed by AC Energy.

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
				June 2019 (Unaudited)	December 2018 (Audited)	
2011	10 years	6.800%	₱ 9,903,400	₱ 9,879,760	₱ 9,970,466	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	9,949,410	9,946,221	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	9,935,259	9,927,904	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	9,923,846	9,918,003	Callable from the 6.5 th anniversary issue until every year thereafter
			₱ 39,903,400	₱ 39,688,275	₱ 39,762,594	

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 accounts for this as liability, and, thus shown forming part of long-term debt as of June 30, 2019.

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 April 30, 2019, an equivalent amount of US\$292.8 million remaining principal balance was exchanged and converted into a total of 377.5 million ALI ordinary common shares. On May 2, 2019, the Bonds has zero outstanding balance.

The total cumulative exchanges of the Bonds into shares resulted in an overall gain of ₱12.6 billion which was booked under Equity Reserve (see Note 2).

As of June 30, 2019 and December 31, 2018, the outstanding balance of the Bonds amounted to zero (unaudited) and ₱15.3 billion (audited), respectively. Interest expense recognized in the statement of income amounted to ₱109.0 million (unaudited) and ₱195.9 million (unaudited) for the period ended June 30, 2019 and 2018, respectively.

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 June 30, 2019 and December 31, 2018. The Parent Company aims to maintain for its debt to equity ratio not to exceed 3:1 in compliance with loan covenants of AYCFL.

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, 2019 (Audited)	₱ 1,200,000	₱ 5,800,000	₱ 200,000	₱ 31,340,717	₱ 190,658	₱ 46,156,018	₱ (1,525,718)	₱ 83,361,675
Exercise/Cancellation/Subscription of ESOP/ESOWN	-	-	-	-	25,794	485,642	(260,141)	251,295
At June 30, 2019 (Unaudited)	₱ 1,200,000	₱ 5,800,000	₱ 200,000	₱ 31,340,717	₱ 216,452	₱ 46,641,660	₱ (1,785,859)	₱ 83,612,970
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 new shares	-	-	-	440,500	-	7,615,757	-	8,056,257
Exercise/Cancellation/Subscription of ESOP/ESOWN	-	-	-	340	25,933	610,334	(500,942)	135,665
Collection of subscription receivables	-	-	-	-	-	-	168,579	168,579
At December 31, 2018 (Audited)	₱ 1,200,000	₱ 5,800,000	₱ 200,000	₱ 31,340,717	₱ 190,658	₱ 46,156,018	₱ (1,525,718)	₱ 83,361,675

Common shares

On May 22, 2019, the Parent Company purchased its 3,805,644 common shares at ₱838.00 from Mitsubishi Corporation ("Mitsubishi") pursuant to the share buyback program approved by the Board of Directors on September 10, 2007, June 2, 2010, and December 10, 2010. The number of outstanding common and treasury shares after such purchase ended at 626,825,042 (includes issuance of 3,204 common shares arising from exercise of stock options) and 3,805,644 common shares, respectively.

As explained by the Parent Company's Chief Finance Officer, Mr. Jose Teodoro K. Limcaoco, "At current levels our stock price is quite undervalued and this buyback of our shares will benefit all existing shareholders. We value our relationship with Mitsubishi which remains as our second largest shareholder. This transaction, I understand, is part of Mitsubishi's portfolio rebalancing exercise with regard to their Ayala holdings, which now stands and will remain at around six percent (6%)."

Voting preferred shares

Further to the disclosures dated May 20, 2010, May 28, 2013, and May 23, 2016 relating to the Parent Company's 200 million voting preferred shares (the "Shares"), the dividend rate of the Shares has been re-priced from 3.6950% per annum to 5.7730% per annum, which is equal to the

3-year PHP BVAL reference rate as of May 20, 2019 and will be applicable until May 20, 2022, the next re-pricing date.

Clause 3 of the Terms and Conditions of the Offer and Subscription of the Shares provides that the dividend rate on the Shares will be re-priced on every third year anniversary from the Issue Date, using 3-year PDST-R2 on the subsequent re-pricing dates. In case the PDST-R2 ceases to be an acceptable benchmark, the dividend rate shall mean the replacement mark-to-market benchmark that the Bankers' Association of the Philippines will utilize.

The PDS Treasury Reference Rates RI (PDST-RI) and R2 (PDST-R2) have been decommissioned as of October 26, 2018 end-of-day and that the Bankers' Association of Philippines now utilize PHP BVAL Reference Rates as replacement benchmark.

Employee Stock Ownership Plan (the "Plan")

Further to the Parent Company's disclosure dated April 26, 2019 (see Part II – Other Information), on the grant of stock options under the Plan, 32 grantees subscribed to 515,904 common shares at ₱883.83 per share and the subscriptions became effective on May 30, 2019. The option price is the rounded-off volume-weighted average price of our common shares at the Philippine Stock Exchange over the 5-day trading period beginning April 17, 2019 and ending April 25, 2019. As a result of the subscription of the 32 stock option grantees, the number of the outstanding common shares is now 627,340,946 as of May 30, 2019.

Retained Earnings

The reconciliation of Retained Earnings available for dividend declaration shows the following as of June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
	(Unaudited)	(Audited)
	(In Thousands)	
Consolidated retained earnings	₱ 234,892,239	₱ 196,914,989
Accumulated equity in net earnings of subsidiaries, associates and joint ventures	(178,858,353)	(160,580,138)
Treasury shares	(5,492,319)	(2,300,000)
Retained Earnings available for dividends	₱ 50,541,567	₱ 34,034,851

There was no dividends declared by the Parent Company for the period ended June 30, 2019 (unaudited), while the dividends declared to common shares for the period ended June 30, 2018 (unaudited) amounted to ₱2,151.5 million at ₱3.46 per share.

On July 16, 2019, the BOD approved the declaration of regular dividend of ₱4.15 per common share. The record date is July 6, 2018, and payment date is July 30, 2019. This cash dividend is for the first semester ending June 30, 2018.

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:

	June 2019 (Unaudited)	June 2018 (Unaudited)
	(In Thousands, except EPS figures)	
Net income attributable to the owners of the Parent Company	₱ 37,837,536	₱ 16,067,956
Less dividends on preferred stock	(646,202)	(646,202)
	37,191,334	15,421,754
Less profit impact of assumed conversions of potential ordinary shares of investees	(20,833)	(175,846)
	₱ 37,170,501	₱ 15,245,908
Weighted average number of common shares	629,691	621,372
Dilutive shares arising from stock options	1,496	2,341
Adjusted weighted average number of common shares for diluted EPS	631,187	623,713
Basic EPS	₱ 59.06	₱ 24.82
Diluted EPS	₱ 58.89	₱ 24.44

19. Revenue

This account consists of

	June 2019	June 2018
	(In Thousands)	
Revenue from contracts with customers		
Real estate	₱ 61,078,523	₱ 61,052,683
Manufacturing services	33,257,253	34,753,039
Water and sewer services	10,541,612	9,807,822
Others	14,721,724	13,813,221
	119,599,112	119,426,765
Rental income	17,911,834	15,096,828
Sale of goods and rendering services	137,510,946	134,523,593
Share in net profits of associates and joint ventures	11,145,735	10,049,323
Interest income	5,212,390	3,556,341
Dividend income	77,092	577,279
Total	₱ 153,946,163	₱ 148,706,536

Disaggregated revenue information

Set out below is the disaggregation of revenue from contracts with customers of the material subsidiaries of the Group:

ALI Group

Revenue from contracts with customers of ALI Group consists of:

	June 2019	June 2018
	(In Thousands)	
Revenue from contracts with customers		
Residential development	₱ 55,574,908	₱ 55,642,216
Hotels and resorts	3,665,199	3,145,514
Construction	1,544,415	1,202,601
Others	294,001	1,062,352
Total Revenue	₱ 61,078,523	₱ 61,052,683

ALI Group derives revenue from the transfer of goods and services over time and at a point in time, in different product types. ALI Group's disaggregation of revenue from contracts with customers from Residential development, the biggest revenue segment, are presented below:

	June 2019	June 2018
	(In Thousands)	
<i>Type of Product</i>		
Condominium	₱ 13,989,945	₱ 16,384,274
Coremid	16,472,232	14,399,488
Middle income housing	17,614,804	14,570,838
Lot only	7,497,927	10,287,616
	₱ 55,574,908	₱ 55,642,216

All of ALI Group's real estate sales from residential development are revenue from contracts with customers recognized over time.

IMI Group

The following table presents revenue of IMI Group per product type:

	June 2019	June 2018
	(In Thousands)	
Automotive	₱ 15,936,575	₱ 13,879,848
Industrial	7,648,640	7,913,837
Consumer	3,512,696	5,549,362
Telecommunication	2,571,151	3,384,481
Aerospace/defense	1,350,801	1,313,759
Medical	370,303	349,511
Multiple market/others	1,867,087	2,362,241
	₱ 33,257,253	₱ 34,753,039

Translated using the weighted average exchange rate for the period (US\$1:₱52.32 in June 2019, \$1:₱51.96 in June 2018).

MWC Group

Revenue from contracts with customers of MWC Group consists of:

	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Total
June 2019	(In Thousands)			
Revenue from contracts with customers				
Water	₱ 6,518,385	₱ 1,385,804	₱ -	₱ 7,904,189
Sewer	127,816	151,907	-	279,723
Environmental charges	1,405,329	76,340	-	1,481,669
Other operating income	94,990	774,557	6,484	876,031
	8,146,520	2,388,608	6,484	10,541,612
Timing of revenue recognition				
Revenue recognized over time	8,102,120	2,239,008	-	10,341,128
Revenue recognized at a point in time	44,400	149,600	6,484	200,484
	₱ 8,146,520	₱ 2,388,608	₱ 6,484	₱ 10,541,612

June 2018	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Total
	(In Thousands)			
Revenue from contracts with customers				
Water	₱ 6,360,782	₱ 1,226,986	₱ -	₱ 7,587,768
Sewer	118,646	158,180	-	276,826
Environmental charges	1,300,381	2,062	-	1,302,443
Other operating income	134,151	501,782	4,852	640,785
	7,913,960	1,889,010	4,852	9,807,822
Timing of revenue recognition				
Revenue recognized over time	7,875,686	1,719,003	-	9,594,689
Revenue recognized at a point in time	38,274	170,007	4,852	213,133
	₱ 7,913,960	₱ 1,889,010	₱ 4,852	₱ 9,807,822

20. 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/Industrials, 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 June 30, 2019, June 30, 2018 and December 31, 2018, 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 various business segments in the Group is not affected by seasonality in operations.

The following tables regarding operating segments present revenue and income information for the periods ended June 30, 2019 and 2018 (both unaudited), and assets and liabilities as of June 30, 2019 (unaudited) and December 31, 2018 (audited).

June 2019 (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 136	P 78,572	P -	P -	P 9,821	P 33,204	P 2,056	P 13,722	P -	P 137,511
Intersegment	77	25	-	-	265	54	283	(171)	(532)	1
Share of profit of associates and joint ventures	-	560	6,459	3,645	376	-	378	(272)	-	11,146
Interest income	379	3,760	-	-	267	24	745	26	11	5,212
Dividend income	58	-	-	-	-	-	19	-	-	77
	650	82,917	6,459	3,645	10,729	33,282	3,481	13,305	(521)	153,947
Costs and expenses										
Costs of sales and services	-	48,909	-	-	3,919	30,266	1,971	11,794	(596)	96,263
General and administrative	1,490	4,431	-	-	2,327	2,710	1,551	3,259	316	16,084
	1,490	53,340	-	-	6,246	32,976	3,522	15,053	(280)	112,347
Other income (charges)										
Other income	937	308	-	-	4,153	537	24,224	781	2	30,942
Interest and other financing charges	(2,938)	(6,047)	-	-	(1,056)	(371)	(695)	(254)	14	(11,347)
Other charges	-	-	-	-	(3,654)	-	-	-	-	(3,654)
	(2,001)	(5,739)	-	-	(557)	166	23,529	527	16	15,941
Net income (loss) before income tax	(2,841)	23,838	6,459	3,645	3,926	472	23,488	(1,221)	(225)	57,541
Provision for (benefit from) income tax	54	6,316	-	-	1,219	62	171	43	(37)	7,828
Net income (loss)	P (2,895)	P 17,522	P 6,459	P 3,645	P 2,707	P 410	P 23,317	P (1,264)	P (188)	P 49,713
Other information										
Segment assets	P 57,440	P 655,469	P -	P -	P 121,685	P 77,497	P 127,781	P 19,399	P (29,374)	P 1,029,897
Investments in associates and joint ventures	181,334	23,509	-	-	16,277	467	22,967	6,753	-	251,307
Deferred tax assets	80	13,347	-	-	1,261	599	-	103	412	15,802
Total Assets	P 238,854	P 692,325	P -	P -	P 139,223	P 78,563	P 150,748	P 26,255	P (28,962)	P 1,297,006
Segment liabilities	P 122,103	P 453,887	P -	P -	P 68,841	P 44,179	P 89,388	P 3,919	P (30,379)	P 751,938
Deferred tax liabilities	80	6,132	-	-	3,886	459	529	7	(46)	11,047
Total Liabilities	P 122,183	P 460,019	P -	P -	P 72,727	P 44,638	P 89,917	P 3,926	P (30,425)	P 762,985
Depreciation & amortization	P 136	P 4,152	P -	P -	P 1,704	P 1,384	P 213	P 465	P 35	P 8,089
Non-cash expenses other than depreciation & amortization	P (100)	P 2	P -	P -	P 69	P 19	P -	P 32	P 17	P 39
Segment additions to property, plant and equipment and investment properties	P 66	P 34,156	P -	P -	P 819	P 1,138	P 24,819	P 562	P (15,979)	P 45,581
Cash flows provided by (used in):										
Operating activities	P 1,603	P 31,663	P -	P -	P 678	P 1,132	P (1,703)	P (1,101)	P (17,340)	P 14,932
Investing activities	P 16,026	P (62,513)	P -	P -	P (246)	P (1,855)	P (29,663)	P (8,547)	P 57,163	P (29,635)
Financing activities	P (5,622)	P 28,981	P -	P -	P (3,808)	P 2,318	P 47,987	P 9,823	P (39,822)	P 39,857

June 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 121	P 75,864	P -	P -	P 8,885	P 34,335	P 1,810	P 13,509	P -	P 134,524
Intersegment	86	(24)	-	-	282	-	308	189	(841)	-
Share of profit of associates and joint ventures	103	403	5,256	3,056	339	-	1,070	(178)	-	10,049
Interest income	186	3,077	-	-	204	25	39	32	(6)	3,557
Dividend income	58	-	-	-	-	-	519	-	-	577
	554	79,320	5,256	3,056	9,710	34,360	3,746	13,552	(847)	148,707
Costs and expenses										
Costs of sales and services	-	49,175	-	-	3,592	30,633	1,760	11,812	(619)	96,353
General and administrative	1,591	4,283	-	-	1,725	2,930	573	2,976	(252)	13,826
	1,591	53,458	-	-	5,317	33,563	2,333	14,788	(871)	110,179
Other income (charges)										
Other income	205	1,062	-	-	5,493	1,453	1,909	862	(110)	10,874
Interest and other financing charges	(2,353)	(5,305)	-	-	(789)	(330)	(115)	(22)	(104)	(9,018)
Other charges	-	-	-	-	(4,792)	-	-	-	-	(4,792)
	(2,148)	(4,243)	-	-	(88)	1,123	1,794	840	(214)	(2,936)
Net income (loss) before income tax	(3,185)	21,619	5,256	3,056	4,305	1,920	3,207	(396)	(190)	35,592
Provision for (benefit from) income tax	9	5,804	-	-	908	246	912	96	(24)	7,951
Net income (loss)	P (3,194)	P 15,815	P 5,256	P 3,056	P 3,397	P 1,674	P 2,295	P (492)	P (166)	P 27,641
Depreciation & amortization	P 158	P 3,635	P -	P -	P 1,593	P 950	P 144	P 301	P (4)	P 6,777
Non-cash expenses other than depreciation & amortization	P -	P 1	P -	P -	P 73	P (30)	P -	P 22	P (1)	P 65
Segment additions to property, plant and equipment and investment properties	P 121	P 22,195	P -	P -	P 408	P 1,852	P 2,197	P 1,320	P (7,630)	P 20,463
Cash flows provided by (used in):										
Operating activities	P (3,184)	P 26,677	P -	P -	P 1,714	P (1,038)	P (1,831)	P (1,164)	P 343	P 21,517
Investing activities	P (18,222)	P (45,918)	P -	P -	P (8,072)	P (1,768)	P (9,052)	P (6,403)	P 27,724	P (61,711)
Financing activities	P 18,354	P 20,735	P -	P -	P 5,263	P 5,427	P 14,296	P 5,700	P (27,650)	P 42,125

December 2018 (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 46,267	P 632,398	P -	P -	P 120,272	P 56,109	P 79,120	P 36,128	P (28,055)	P 942,239
Investments in associates and joint ventures	168,203	23,376	-	-	15,995	-	25,252	7,315	-	240,141
Deferred tax assets	80	13,041	-	-	1,364	166	41	387	467	15,546
Total Assets	P 214,550	P 668,815	P -	P -	P 137,631	P 56,275	P 104,413	P 43,830	P (27,588)	P 1,197,926
Segment liabilities	P 140,318	P 442,705	P -	P -	P 68,593	P 34,705	P 49,908	P 11,519	P (29,930)	P 717,818
Deferred tax liabilities	80	5,895	-	-	3,842	207	757	172	46	10,999
Total Liabilities	P 140,398	P 448,600	P -	P -	P 72,435	P 34,912	P 50,665	P 11,691	P (29,884)	P 728,817
Segment additions to property, plant and equipment and investment properties	P 189	P 123,364	P -	P -	P -	P -	P -	P 1,521	P (73,781)	P 51,293
Depreciation & amortization	P 304	P 7,446	P -	P -	P 3,363	P 2,311	P 394	P 319	P (576)	P 13,561
Non-cash expenses other than depreciation & amortization	P -	P 66	P -	P -	P 328	P 499	P 20	P 153	P (1)	P 1,065
Cash flows provided by (used in):										
Operating activities	P (5,811)	P 11,767	P -	P -	P 3,298	P (701)	P (5,034)	P (795)	P 49,852	P 52,576
Investing activities	P 15,296	P (2,978)	P -	P -	P (8,859)	P (4,373)	P (23,925)	P (8,233)	P (74,920)	P (107,992)
Financing activities	P (164)	P (6,264)	P -	P -	P 5,931	P 6,026	P 23,674	P 10,585	P 11,992	P 51,780

21. 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 June 30, 2019 (unaudited) and December 31, 2018 (audited) (amounts in thousands):

	June 2019 (Unaudited)		December 2018 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(In Thousands)				
FINANCIAL ASSETS AT FVTPL				
Held for trading	P 10,002,785	P 10,002,785	P 9,236,804	P 9,236,804
Derivative assets				
Embedded	242,666	242,666	65,324	65,324
Freestanding	2,033	2,033	464	464
Total financial assets at FVTPL	10,247,484	10,247,484	9,302,592	9,302,592
AT AMORTIZED COST				
Accounts and notes receivables				
Trade receivables				
Real estate	66,426,603	66,583,692	54,390,916	54,548,005
Nontrade receivables				
Receivable from officers and employees	1,575,521	1,518,480	1,497,998	1,488,987
Concession financial receivable	1,031,588	1,093,864	1,517,892	2,358,369
Total at amortized cost	69,033,712	69,196,036	57,406,806	58,395,361
FINANCIAL ASSETS AT FVOCI				
Quoted equity investments	4,187,289	4,187,289	2,058,460	2,058,460
Unquoted equity investments	1,868,139	1,868,139	975,785	975,785
Total financial assets at FVOCI	6,055,428	6,055,428	3,034,245	3,034,245
OTHER FINANCIAL ASSETS				
Deposits	2,850,933	2,850,933	2,801,248	2,801,248
Total other financial assets	2,850,933	2,850,933	2,801,248	2,801,248
Total financial assets	P 88,187,557	P 88,349,881	P 72,544,891	P 73,533,446
FINANCIAL LIABILITIES AT FVTPL				
Other noncurrent liabilities -				
Contingent consideration	P -	P -	P 195,920	P 195,920
Financial liabilities on put option	1,203,210	1,203,210	1,371,226	1,371,226
Derivative liabilities				
Embedded	904	904	-	-
Total financial liabilities at FVPL	1,204,114	1,204,114	1,567,146	1,567,146
OTHER FINANCIAL LIABILITIES				
Long-term debt	407,557,756	380,927,172	372,743,387	360,945,172
Service concession obligation	8,083,231	8,732,891	7,839,013	8,693,080
Deposits and other noncurrent liabilities	61,350,688	59,938,149	35,141,427	31,241,007
Total other financial liabilities	476,991,675	449,598,212	415,723,827	400,879,259
Total financial liabilities	P 478,195,789	P 450,802,326	P 417,290,973	P 402,446,405

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 FVTPL – Fair values of investment securities are based on quoted prices as of the reporting date. For other investment securities such as FVTPL 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.

The fair value of other unquoted financial assets at FVTPL is determined using Weighted Average Cost of Capital using market comparable.

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.

Noncurrent trade and nontrade receivables – The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments.

Financial assets at FVOCI and AFS quoted equity securities – fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities – fair values are based on the latest selling price available.

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

Financial liabilities on put options – These pertain to the liabilities of IMI Group 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 - noncurrent – 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 the specific circumstances of the acquiree and is derived from its weighted average cost of capital. 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 June 30, 2019 (unaudited) and December 31, 2018 (audited) (amounts in thousands):

June 30, 2019 (unaudited)

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(In Thousands)				
Recurring financial assets measured at fair value				
Financial assets at FVPL	P -	P -	P 10,002,785	P 10,002,785
Derivative assets				
Embedded	-	-	242,666	242,666
Financial assets at FVOCI				
Quoted equity investments	3,135,148	1,052,141	-	4,187,289
Unquoted equity investments	-	-	1,868,139	1,868,139
	P 3,135,148	P 1,052,141	P 12,115,623	P 16,302,912
Recurring financial assets for which fair values are disclosed:				
Trade and nontrade receivables	P -	P -	P 68,102,172	P 68,102,172
Concession financial receivable	-	-	1,093,864	1,093,864
Deposits	-	-	2,850,933	2,850,933
	P -	P -	P 72,046,969	P 72,046,969
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	P -	P -	P 1,203,210	P 1,203,210
Contingent consideration (noncurrent liability)	-	-	-	-
Derivative liabilities				
Embedded	-	-	904	904
	P -	P -	P 1,204,114	P 1,204,114
Recurring financial liabilities for which fair values are disclosed:				
Long-term debt	P -	P -	P 380,927,172	P 380,927,172
Short term debt	-	-	-	-
Service concession obligation	-	-	8,732,891	8,732,891
Deposits and Other noncurrent liabilities	-	-	59,938,149	59,938,149
	P -	P -	P 449,598,212	P 449,598,212
Nonfinancial assets for which fair values are disclosed:				
Investments in associates and joint ventures*	P 280,509,545	P -	P -	P 280,509,545
Investment properties	-	-	443,541,290	443,541,290
	P 280,509,545	P -	P 443,541,290	P 724,050,835

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

December 31, 2018 (audited)

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(In Thousands)				
Recurring financial assets measured at fair value				
Financial assets at FVTPL	P -	P 85,724	P 9,151,080	P 9,236,804
Derivative assets				
Embedded	-	-	65,324	65,324
Freestanding	-	-	464	464
Total Financial assets at FVTPL	-	85,724	9,216,868	9,302,592
Financial assets at FVOCI				
Quoted equity investments	2,058,460	-	-	2,058,460
Unquoted equity investments	-	-	975,785	975,785
	P 2,058,460	P 85,724	P 10,192,653	P 12,336,837
Recurring financial assets for which fair values are disclosed:				
Trade and nontrade receivables	P -	P -	P 56,036,992	P 56,036,992
Concession financial receivable	-	-	2,358,369	2,358,369
Deposits	-	-	2,801,248	2,801,248
	P -	P -	P 61,196,609	P 61,196,609
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	P -	P -	P 1,371,212	P 1,371,212
Contingent consideration (noncurrent liability)	-	-	195,920	195,920
Derivative liabilities				
Freestanding	-	-	-	-
	P -	P -	P 1,567,132	P 1,567,132
Recurring financial liabilities for which fair values are disclosed:				
Long-term debt	P -	P -	P 360,945,172	P 360,945,172
Service concession obligation	-	-	8,693,080	8,693,080
Deposits and Other noncurrent liabilities	-	-	31,241,007	31,241,007
	P -	P -	P 400,879,259	P 400,879,259
Nonfinancial assets for which fair values are disclosed:				
Investment properties	P -	P -	P 338,357,200	P 338,357,200
Investments in associates and joint ventures*	320,407,782	-	-	320,407,782
	P 320,407,782	P -	P 338,357,200	P 658,764,982

*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 decrease in fair value by \$0.02 million. Decrease in growth rate by 1% would result in a fair value increase of \$0.92 million.
		Discount rate	8%-10% (9%)	1% increase in discount rate would result in a decrease in fair value by \$1.23 million. Decrease in discount rate by 1% would result in a fair value increase of \$1.87 million.
		Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by \$1.21 million. Decrease in the probability to 1% would result in a decrease in fair value by \$0.66 million.
Contingent consideration	Discounted, probability-weighted payout	Growth rate	19%-21% (20%)	1% increase in discount rate would result in a decrease in fair value by \$1.87 million. Decrease in discount rate by 1% would result in a fair value increase of \$0.01 million.
		Probability of pay-out	£0 to £2.9 million (\$0 to \$3.7 million)	GBP0 to GBP2.9 million (\$0 to \$3.7 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 FVTPL are summarized below (amounts in thousands):

	June 2019 (Unaudited)	December 2018 (Audited)
Financial Assets at FVTPL		
	(In Thousands)	
Balance at beginning of year	₱ 9,151,080	₱ 5,980,607
Adoption of PFRS 9	-	1,087,593
Additions	1,060,221	4,939,944
Disposals/ redemptions/ return of capital	-	(3,253,958)
Recognized in consolidated statement of income	143,222	996,170
Exchange difference	(351,738)	(599,276)
Balance at end of period	₱ 10,002,785	₱ 9,151,080

	June 2019 (Unaudited)	December 2018 (Audited)
Financial Liabilities at FVTPL		
	(In Thousands)	
Balance at beginning of year	₱ 1,567,132	₱ 2,341,091
Additions	-	-
Reversal	-	(1,120,166)
Recognized in statement of income	(324,905)	283,022
Exchange difference	(39,017)	63,185
Balance at end of period	₱ 1,203,210	₱ 1,567,132

Derivatives

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Derivative Assets		
Prepayment option of AC Energy	₱ 242,666	₱ 65,324
Currency forward of AIVPL	2,033	464
	₱ 244,699	₱ 65,788
Derivative Liabilities		
Forward contract of AC Energy and AC	₱ 318,034	₱ 15,700
	₱ 318,034	₱ 15,700

Fair Value Changes on Derivatives

The net movements in fair values of the Group's derivative instruments as of June 30, 2019 (unaudited) and December 31, 2018 (audited) follow (amounts in thousands):

Derivative Assets

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Balance at beginning of year	₱ 65,788	₱ 85,347
Fair value of currency forwards	1,569	-
Net changes in fair value of derivatives	177,342	45,499
	244,699	130,846
Fair value of settled instruments	-	(65,058)
Balance at end of period	₱ 244,699	₱ 65,788

Derivative Liabilities

	June 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Balance at beginning of year	₱ 15,700	₱ 7,328
Net changes in fair value of derivatives	302,334	15,700
	318,034	23,028
Fair value of settled instruments	-	(7,328)
Balance at end of period	₱ 318,034	₱ 15,700

No other financial assets or liabilities are carried at fair value as of June 30, 2019 (unaudited) and December 31, 2018 (audited).

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 June 30, 2019. 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	(228,938)	₱ (11,703,516)	₱1.00	(1.00)	₱ (228,938)	228,938
Japanese Yen (JPY)	JPY	(26,232,847)	₱ (12,499,635)	1.00	(1.00)	(26,232,847)	26,232,847
Thai Baht (THB)	THB	(5,248,812)	₱ (8,750,012)	1.00	(1.00)	(5,248,812)	5,248,812
Euro (EUR)	EUR	37,101	₱ 2,167,732	1.00	(1.00)	37,101	(37,101)
Chinese RMB (RMB)	RMB	172,390	₱ 1,284,891	1.00	(1.00)	172,390	(172,390)
Vietnam Dong (VND)	VND	21,075,937	₱ 46,834	1.00	(1.00)	21,075,937	(21,075,937)

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.

22. 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 June 30, 2019 related party transactions are generally aligned with the terms and other details provided in the December 31, 2018 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 ₱43,850.1 million and ₱29,081.0 million, as of June 30, 2019 (unaudited) and December 31, 2018 (audited), respectively (see Notes 4 and 5). The Other Noncurrent Assets account as of June 30, 2019 (unaudited) and December 31, 2018 (audited) includes ₱3,867.7 million and ₱2,365.3 million placement of AYCFI with BPI, respectively (see Note 8). The Group also has short-term and long-term debt payable to BPI amounting to ₱39,022.6 million and ₱32,336.6 million as of June 30, 2019 (unaudited) and December 31, 2018 (audited), respectively. These short-term and long-term debts are interest bearing with varying rates, have various maturities starting 2019 and varying schedules of payments for interest (see Note 16).

Receivable from Related Parties

The Group has ₱10,233.2 million and ₱8,964.6 million receivable from related parties as of June 30, 2019 (unaudited) and December 31, 2018 (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 ₱1,575.5 million and ₱1,498.0 million receivables from officers and employees as of June 30, 2019 (unaudited) and December 31, 2018 (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 5.0% to 10.0% per annum and have various maturity dates ranging from 2019 to 2027 (see Note 6).

Payables to Related Parties

The Group has payables to various related parties amounting to ₱461.8 million and ₱1,072.6 million as of June 30, 2019 (unaudited) and December 31, 2018 (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 unsecured, interest free, will be settled in cash and are due and demandable (see Note 14).

Income and Expenses

The Group realized total income of ₱1,329.8 million and ₱418.6 million from related parties and incurred total expenses of ₱549.6 million and ₱605.7 million for the periods ended June 30, 2019 and 2018, respectively (both unaudited). These 2019 amounts represent 0.9% and 0.5% 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).

23. Events after the Reporting Period

Parent Company

- a) On July 4, 2019, 5,069 common shares were exercised under the Parent Company's Employee Stock Option Plan. The number of issued and outstanding common shares are 631,151,659 and 627,346,015, respectively, as of July 4, 2019.
- b) On August 8, 2019, Mr. Ferdinand M. Dela Cruz tendered his resignation effective end of business on August 31, 2019 as President and CEO of MWCI and availed of early retirement also effective August 31, 2019 as Managing Director of the parent company.

MWCI's Board of Directors, during its meeting on August 8, 2019, accepted the resignation of Mr. Dela Cruz and elected Mr. Jose Rene Gregory D. Almendras as President and CEO of MWCI effective September 1, 2019. Mr. Almendras will concurrently serve as President and CEO of AC Infra and as parent company's Senior Managing Director and Group Head of Public Affairs.

AC Health Group

- a) On July 4, 2019, following the completion of conditions precedent, AC Health will proceed with the closing of the increase to 52.5% in its equity stake in Erikagen, Inc., part of the Generika companies (see Note 3).

MWC Group

- a. On July 3, 2019, the Parent Company signed and executed a joint venture agreement with the LWD for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water system of LWD in the Municipality of Lambunao in the Province of Iloilo.
- b. On July 3, 2019, the Parent Company signed and executed a joint venture agreement with the CCWD for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water and wastewater system of CCWD in the City of Calbayog.
- c. On July 31, 2019, MWTS entered into a joint venture agreement with the City of Marikina to build and operate and Integrated Waste Management Facility to treat and process the city solid waste of Marikina City.
- d. On August 6, 2019, the Parent Company signed an Offtake Agreement with the MWSS and WawaJVCo, Inc. for a term of 30 years. This will involve the supply of raw water from the Wawa and Tayabasan rivers. The first phase will involve the supply of 80 million liters per day (MLD) of raw water by December 31, 2021 while the second phase will involve the supply of an additional 438 MLD of raw water by December 31, 2025. This is among the medium-term water supply augmentation measures identified to provide water security and sustainability to the consumers of in the East Service Area.

AC Energy Group

On July 25, 2019, AC Energy and Power Partners, Ltd. Co. (Power Partners) signed a binding agreement for the transfer of AC Energy's indirect ownership interest in the 4x135MW coal-fired power project in Kauswagan, Lanao del Norte, in favor of Power Partners. Power Partners is the existing developer-partner for the GNPK project.

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

Ayala Corporation's net income expanded twofold in the first half of the year to ₱37.8 billion from a year ago, driven by the solid growth of its banking, telecommunications, and real estate units combined with gains from value realization exercises in its emerging businesses. This includes the downward impact of the Group's adoption of new accounting standard PFRS 16 on leases amounting to ₱133 million.

Consolidated Sales of Goods and Services

Sale of goods and rendering services rose two percent to ₱137.5 billion on higher revenues from Ayala Land's middle-income residential and leasing groups, increments from Manila Water, AC Energy, AC Health, and AC Education. This was partly offset by lower sales volume of AC Industrials during the period.

Real Estate

Ayala Land recorded a net income of ₱15.2 billion, a 12 percent expansion from its year-ago level on robust growth performance of its commercial leasing as well as the sale of offices and commercial and industrial lots.

Ayala Land's revenues from its property development business reached ₱58.9 billion, mainly driven by the office-for-sale segment, which doubled to ₱10.1 billion. This was bolstered by the completion progress and new bookings from Alveo Financial Tower, High Street South Corporate Plaza, and Park Triangle Corporate Plaza.

Meanwhile, revenues from Ayala Land's commercial leasing segment expanded 16 percent to ₱18.6 billion, lifted by higher contributions of newly opened malls, offices, and hotels. Total mall revenues grew 12 percent to ₱10.3 billion, supported by an 11 percent growth in same mall revenues. Office revenues, on the other hand, surged 25 percent to reach ₱4.6 billion as newly opened offices in Ayala North Exchange, Vertis North, and Circuit Makati further gained traction. Finally, hotels and resorts revenues expanded 17 percent to ₱3.7 billion, boosted by Seda hotels in Ayala Center Cebu and Lio.

At the end of the first semester, Ayala Land's mall gross leasable area stood at 1.9 million square meters, with 719,000 square meters under construction. Malls average occupancy was at 88 percent. Office GLA, meanwhile, stood at 1.1 million square meters, with 406,000 square meters under construction. Office average occupancy was at 92 percent, with stable developments at 96 percent.

Ayala Land continues to achieve a more diversified net income mix. In terms of location, new estates and established estates (Makati, Bonifacio Global City, Nuvali, Alabang, and Cebu) contributed 52 percent and 48 percent of its net income, respectively. In terms of business line, Ayala Land's development income (property sales and construction) accounted for 64 percent, while recurring income (commercial leasing, hotels and resorts, property management, and new leasing formats) contributed 36 percent to its net profits in the first half.

In the first semester, Ayala Land spent ₱49.5 billion in capital expenditures, comprising 38 percent of its budget for the year. To date, Ayala Land has a landbank of 11,624 hectares, positioned in key growth areas across the country. Eighty-seven percent of the landbank is located in Central Luzon, CALABARZON and Mega Manila where more than 60 percent of the country's gross domestic product is created.

Water

Metro Manila's water supply challenges continued to weigh on Manila Water's results in the first semester. Higher operating expenses and lower billed volume resulting from the water shortage dragged Manila Water's net profits, which reached ₱2.9 billion, 18 percent lower from the previous year.

Manila Water's total revenues climbed seven percent to ₱10.5 billion on contribution of its domestic and overseas platforms.

The water supply shortage in Metro Manila that started in late March resulted in a 25 percent decline in the Manila Concession's first-half net income to ₱2.5 billion. This is attributed to higher operating expenses, which climbed 36 percent to ₱2.9 billion, primarily driven by the provision for the financial

penalty imposed by the Metropolitan Waterworks and Sewerage System and other expenses related to the water supply shortage.

Outside the Manila concession, Manila Water Philippine Ventures' net income climbed 31 percent to ₱303 million. This was bolstered by Estate Water and Laguna Water, whose net earnings expanded twofold to ₱186 million and 20 percent to ₱200 million, respectively.

Overseas, Manila Water Asia Pacific's net earnings grew 2 percent year-on-year to ₱196 million on strong contribution of East Water in Thailand. Billed volume grew 18 percent to 334.4 mcm in the first six months of the year.

In July, Manila Water was granted the original proponent status by the local government of Marikina City following its submission of an unsolicited proposal to build and operate an integrated waste management facility to treat and process the city's solid waste.

Power

AC Energy's net profits reached ₱23.2 billion in the first half of the year, lifted by the recovery of costs incurred from adjustments in the construction and operations of its power plants as well as net gains from the partial divestment of its thermal assets of ₱22.7 billion.

As part of its strategy to rebalance its generation portfolio as it aims to grow its renewable energy assets with a target of achieving at least 5GW of attributable renewable energy capacity by 2025, AC Energy signed last month a binding agreement with Power Partners for the transfer of AC Energy's indirect ownership interest in the 4x135MW coal-fired power project in GNPowr Kauswagan in Lanao del Norte in favor of Power Partners. Power Partners is AC Energy's existing developer-partner in the GNPK Project. The transfer will be implemented in tranches, with the final transfer price to be agreed upon by the parties at a later date after taking into account agreed adjustments. The completion of the transfer is subject to satisfaction of certain conditions precedent, including approvals by the Philippine Competition Commission and the lenders of the GNPK Project.

In June, AC Energy completed the acquisition of a 51.5 percent stake in PHINMA Energy Corporation. The entity, which would be renamed to AC Energy Philippines, will serve as the platform for the company's domestic growth. The PHINMA Energy platform has significant operating and developmental renewable energy assets, and its large diesel capacity will complement the scaling-up of AC Energy's renewable projects.

Industrial Technologies

Macropolitical risks, sectoral headwinds, and component supply tightness dragged AC Industrials' performance in the first half to a net loss of ₱510 million.

In electronics manufacturing services, the first-half performance of Integrated Micro-Electronics was affected by the global slowdown in the automotive industry, persistent component shortages, and ongoing geopolitical risks in China and the UK. It ended the first semester with a net income of US\$5.8 million, lower than the previous year's US\$31.6 million. The reported net income includes non-operating gain of US\$3.7 million on the reversal of the contingent consideration related to STI acquisition. Excluding the gain, IMI's net income dropped 84 percent during the period.

IMI's automotive segment recorded revenues of US\$305 million, 11 percent higher from the previous year. Its aerospace segment posted a two percent growth in revenues to US\$25.9 million during the period.

IMI's subsidiaries Via Optronics and STI posted revenues of US\$130 million, a 16 percent decline year-on-year. The demand for Via's optical bonding services suffered a temporary slowdown because of the delay in the rollout of next generation computer chips. Meanwhile, uncertainties from Brexit continued to push back STI's business as the region evaluates the effects on tariff structures between the UK and the rest of Europe.

In Philippine vehicle distribution, AC Motors registered a net loss of ₱158 million on weaker sales across the existing Honda, Isuzu, and Volkswagen brands, which continue to navigate tightening competition and the automotive industry's product cycles.

AC Motors further scaled its portfolio by launching the Maxus commercial vehicle brand in June, building on the startup of the Kia distributorship business earlier in the year. These two new businesses

are envisioned to strengthen and diversify the overall group in both the medium and short term. In its first five months of operations, AC Motors's Kia operations doubled the brand's sales from a year ago, resulting in a net income of ₱42 million in the first half of the year.

On the two-wheel side, KTM continues to expand. AC Industrials' pioneer two-wheel business now has a domestic network of 104 stores nationwide, while export sales accounting for 63 percent of volumes.

Share in Net Profits of Associates and Joint Ventures

Share of profits of associates and joint ventures expanded 11 percent to ₱11.1 billion, largely driven by higher revenues of Globe and BPI, but partly tempered by lower earnings of AC Energy's investee companies.

Banking

Sustained margin expansion supported by a growing fee-income business and moderated operating expenses lifted Bank of the Philippine Islands' net income in the first half of the year, growing 25 percent to ₱13.7 billion year-on-year.

This robust performance was underpinned by a 23 percent improvement in the bank's total revenues to ₱45.9 billion. Net interest income jumped 24 percent to ₱32.4 billion as net interest margin widened 38 basis points on higher asset yields, which rose 103 basis points. This was, however, partially offset by higher cost of funds.

Meanwhile, the bank's non-interest income in the first semester, grew 21 percent to ₱13.5 billion, boosted by securities trading gains and fee-based income across a broad range of businesses, including credit cards, deposit products, insurance, transaction banking, leasing, retail loans, and electronic channels.

In the first semester, the bank's total loans climbed 11 percent to ₱1.4 trillion boosted by the growth of corporate loans and consumer loans, which went up 12 percent and 10 percent, respectively. The consumer segment continued to improve, with credit card loans rising 26 percent in the first semester. Meanwhile, the bank's total deposits increased 8 percent to reach ₱1.7 trillion. The CASA ratio stood at 68.3 percent, while the loan-to-deposit ratio was at 81.7 percent.

BPI's operating expenses totaled ₱24 billion, 14 percent higher from a year ago on continued technology-related spending, buildout of microfinance branches, and one-time manpower expenses related to the recently concluded collective bargaining agreements. Focused spending led to an improved cost-to-income ratio of 52.9 percent from 57 percent of the same period last year.

The provision for losses, which included specific reserves for Hanjin exposure, was at ₱3.5 billion, bringing the bank's loss coverage ratio to 100.7 percent. The bank's non-performing loans ratio was steady at 1.86 percent.

The bank's total assets stood at ₱2.13 trillion, up 12.3 percent, with return on assets at 1.3 percent. Total equity reached ₱259.9 billion, providing a strong capital position to deliver future growth.

Telco

As it continues to reap the benefits of a modernized 4G/LTE network rollout, Globe sustained its robust performance, with net income expanding 21 percent to ₱12 billion in the first half of the year.

Continued strong demand for data-related services across its product segments boosted Globe's topline growth, with consolidated service revenues climbing 13 percent to ₱72.9 billion. Total data revenues accounted for 70 percent of service revenues compared to 58 percent from a year ago.

In the first semester, mobile revenues reached ₱54.6 billion, 11 percent higher year-on-year, primarily driven by the prepaid segment. Mobile data revenues grew 45 percent to ₱34 billion, fueled by the higher data usage on the popularity of online gaming, streaming, and on-demand video content. Similarly, mobile data traffic nearly doubled to 764 petabytes from 390 petabytes a year ago. The strong mobile data revenues compensated for the softness in mobile voice and mobile SMS revenues, which declined 17 percent and 24 percent, respectively.

Meanwhile, broadband revenues improved 21 percent to ₱10.6 billion on subscriber expansion in fixed wireless solution and strong demand for the Home Prepaid Wifi. To further increase its footprint in this segment, Globe launched the At Home Air Fiber 5G wireless broadband services in June, making the Philippines the first country in Southeast Asia to experience commercial 5G wireless broadband.

On the corporate data segment, revenues posted a double-digit growth of 15 percent to ₱6.3 billion on increased usage and strong take-up of connectivity solutions.

The strong topline growth supported by lower operating expenses supported the 18 percent growth in Globe's EBITDA, which reached ₱38.6 billion in the first half. EBITDA margin remained healthy at 53 percent. Globe deployed ₱19 billion in capital expenditures in the first half of the year to support the growing subscriber base and demand for data services.

Last week, Globe created a new corporate incubator, 917 Ventures, which will develop, own, and operate digital companies that leverage on the telco's existing strengths and assets. Globe envisions the new venture to develop technological ideas and spur the company to reach new vertical markets.

Costs and Expenses

General and administrative expenses reached ₱16 billion, a 16 percent increase from a year ago, driven by Manila Water's accrual of penalty in connection with the water shortage in the Manila Concession, which amounted to ₱534 million. In addition, higher costs from the consolidation of new business units in AC Industrials, AC Infrastructure, and AC Health as well as AC Energy's higher business taxes and manpower costs contributed to the increase.

Balance Sheet Highlights

At the end of June-2019, Ayala's total assets stood at ₱1.3 trillion. Investments in properties expanded eight percent to ₱246.9 billion, lifted by the expansion of Ayala Land's mall and office segments.

Total debt at the consolidated level stood at ₱442.2 billion, seven percent higher on the back of AC Energy's issued US\$408 million green bond, offset by maturity of Ayala's US\$300 million exchangeable bond.

As of the first half of the year, parent level cash stood at ₱18.1 billion, with net debt at ₱71.1 billion. Improved ratios from reduced debt following the conversion of Ayala's US\$300 million exchangeable bond as well as higher investment values helped Ayala's balance sheet to undertake investments and cover its dividend and debt obligations. Ayala's parent net debt-to-equity and consolidated net debt-to-equity ratios stood at 0.53 and 0.66 from 0.81 and 0.74 at end of 2018, respectively. Meanwhile, the conglomerate's loan-to-value ratio, the ratio of its parent net debt to the total value of its assets, was at 7.6 percent at the end of the first-half, an improvement from the 11.8 percent recorded at the end of 2018. Its peso-dollar debt split ended at 77:23 as of end-June. 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	June 2019 (Unaudited)	December 2018 (Audited)
Liquidity Ratio	$\frac{\text{Cash/ Cash equivalents + Short-term cash investments}}{\text{Current Liabilities}}$	0.32	0.20
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.50	1.25
Solvency Ratio	$\frac{\text{After-Tax Net Profit + (Depreciation + Amortization)+ Provision for Bad Debts}}{\text{Total Liabilities}}$	0.06	0.03 *
Debt-to-Equity Ratio	$\frac{\text{Long-term Loans + Short Term Loans}}{\text{Total Stockholders' Equity}}$	0.83	0.88
Assets- to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity Attributable to Owners of the Parent}}$	3.83	4.12
Interest Expense Coverage Ratio	$\frac{\text{EBITDA}}{\text{Interest Expense}}$	7.35	5.70 *
Return on Equity	$\frac{\text{Net Income to Owners of the Parent}}{\text{Equity Attributable to Owners of the Parent (Average)}}$	12.0%	6.1% *
Return on Common Equity	$\frac{\text{Net Income to Owners of the Parent Less Dividends on Preferred Shares}}{\text{Common Equity Attributable to Owners of the Parent (Average)}}$	12.8%	6.5% *
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	4.3%	2.5% *

* Based on Unaudited June 30, 2018.

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 June 30, 2019.

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 2019, Ayala group's capital expenditure budget is higher than last year amounting to ₱262 billion.

Parent Company

As of the six-month period, 67% of the ₱22.6 billion has been deployed largely to fund the expansion of our emerging businesses: AC Energy, AC Industrials, AC Infra, AC Education and AC Health.

ALI

ALI spent ₱49.5 billion in capital expenditures to support the aggressive completion of new projects both for residential projects and commercial projects, land acquisition, development of estates and other investments.

MWC

The MWC Group ended the first half of 2019 with total capital expenditures of ₱3.7 billion. The Manila Concession took the biggest allocation and spent a total of ₱2.9 billion (inclusive of concession fee payments) for capital expenditures in the first half of 2019. Of the total amount, majority was spent on wastewater expansion, network reliability, and water supply projects, while the balance was accounted for by concession fees paid to MWSS.

Meanwhile, total capital expenditures of the domestic subsidiaries amounted to ₱728 million. This includes allocation for Laguna Water, Boracay Water and Tagum Water for water network expansion. Estate Water spent for its greenfield and brownfield projects, with the balance being taken on by the remaining subsidiaries for its various projects.

IMI

For the first half of 2019, IMI spent \$22M of capital expenditures related to new programs and capacity expansions.

AC Energy

As of the six-month period, AC Energy's capital expenditures amounted to ₱28 billion, mainly for investments in AYC Finance, ACE PH and GNPK.

BPI

BPI budgeted ₱6.0 billion for its capital expenditures for the whole year.

Globe

Total cash capital expenditures as of end-June 2019 stood at about ₱19.0 billion, 17% lower than last year's level of ₱22.9 billion. About 75% of total capex for the period was spent on data network.

- 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 June 30, 2019 and December 31, 2018 consolidated financial statements show several significant increases in Balance Sheet and Income Statement accounts relating to two (2) key factors:

1. Acquisitions made by subsidiaries as follows (also see Note 3):
 - a. AC Health's increase of ownership share in Generika Group from 50% in December 2018 to 52.5% in June 2019.
 - b. AC Energy's increase of ownership share in SLTEC from 35% in December 2018 to 80% in June 2019
2. Adoption of new accounting standard PFRS 16 (Leases) which give rise to new accounts in the balance sheet namely Right-of-use Assets and Lease Liabilities. The impact to income statement is shown in the depreciation (classified under cost of sales and general & administrative expenses) and interest expenses of the Group (see Note 2).

Balance Sheet Items

As of June 30, 2019 vs. December 31, 2018

Cash and cash equivalents – 41% increase from ₱60,624 million to ₱85,779 million

Increase due to AC's proceeds from loans and dividends received, partly offset by acquisition of common treasury shares; and AC Energy's proceeds from sale of AA Thermal shares, from Green bonds and dividends received, partly offset by acquisition of Phinma Energy. Use of cash includes ALI's funding for land acquisitions, real estate expansion projects and property acquisitions; and MWC's payment of loans. This account is at 7% and 5% of the total assets as of June 30, 2019 and December 31, 2018, respectively.

Short-term investments – 62% decrease from ₱5,956 million to ₱2,244 million

Decrease due to ALI's and AYC's short-term placements maturity. This account is at less than 1% of the total assets as of June 30, 2019 and December 31, 2018.

Contract assets (current) – 24% decrease from ₱52,209 million to ₱39,667 million

Decrease resulting from lower contract assets of ALI, IMI and MWC. This account is at 3% and 4% of the total assets as of June 30, 2019 and December 31, 2018, respectively.

Inventories – 10% decrease from ₱120,560 million to ₱109,083 million

Decrease due to ALI's higher sales amidst new project launches and IMI's recoveries of backlogs; partly offset by higher inventories of AC Industrials and AC Health's consolidation of Generika and FamDoc related expansions. This account is at 9% and 10% of the total assets as of June 30, 2019 and December 31, 2018, respectively.

Other current assets – 10% increase from ₱67,890 million to ₱74,986 million

Increase pertains to: higher creditable withholding tax, input tax, prepayments in ALI, IMI, AC Industrials' and MWC's; BHL's additional infusion in certain FVOCI investments and impact of forex translation; partly offset by completed transactions of assets held for sale by AC Energy and AC Education. This account is at 6% of the total assets as of June 30, 2019 and December 31, 2018.

Accounts and notes receivable (noncurrent) – 367% increase from ₱6,366 million to ₱29,720 million

Increase due to ALI's lower bookings from residential and leasing groups. This account is at 2% and less than 1% of the total assets as of June 30, 2019 and December 31, 2018.

Contract assets (noncurrent) – 47% decrease from ₱35,930 million to ₱19,219 million

Decrease resulting from lower balances of contract assets of ALI and MWC. This account is at 1% and 3% of the total assets as of June 30, 2019 and December 31, 2018.

Investments in associates and joint ventures (AJVs) – 5% increase from ₱240,141 million to ₱251,307 million

The increase is mainly due to merger of iPeople and AC Education with iPeople as the surviving entity and now an AJV entity of AC from previously consolidated subsidiary. Also, contributed to the increase is the higher equity in net earnings of BPI and Globe; AC Infra's additional investment in LRMHI; partly offset by consolidation of SLTEC previously classified as AJV entity. This account is at 20% of the total assets as of June 30, 2019 and December 31, 2018.

Investment Properties – 8% increase from ₱227,646 million to ₱246,854 million

The increase relates to ALI group's expansion projects mainly on malls and office buildings. This account is at 19% of the total assets as of June 30, 2019 and December 31, 2018.

Property, plant and equipment – 25% increase from ₱104,492 million to ₱130,297 million

Increase coming from AC Energy's construction of power plants for GNPKauswagan's (GNPK) coal unit plus impact of forex translation adjustment; ALI MCT's, IMI's and MWC's expansion projects. This account is at 10% and 9% of the total assets as of June 30, 2019 and December 31, 2018, respectively.

Right-of-use assets – amounted to ₱16,017 million in June 2019 (new)

Account is in relation to adoption of PFRS 16 Leases which consists of balances from ALI, IMI, AC Industrials, AC Health, AC Energy and MWC groups. This account is at 1% of the total assets as of June 30, 2019.

Other noncurrent assets – 31% increase from ₱40,088 million to ₱52,336 million

Increase pertains to: ALI's higher project advances and deferred tax; and AYCF's hold-out cash for a loan availed by AC now with a balance of P1.6B. The account also includes the Group's pension asset amounting to ₱99 million and ₱82 million in June 30, 2019 and December 31, 2018, respectively.¹ This account is at 4% and 3% of the total assets as of June 30, 2019 and December 31, 2018, respectively.

Short-term debt – 12% decrease from ₱39,518 million to ₱34,610 million

Decrease due to settlements made by MWC, IMI and AC Energy as well as AC Industrials' lower borrowing; partly offset by ALI's subsidiaries borrowings. This account is at 5% of the total liabilities as of June 30, 2019 and December 31, 2018.

Accounts payable and accrued expenses – 13% decrease from ₱204,758 million to ₱178,059 million

Decrease mainly due to ALI's trend in development and project costs of residential and commercial business groups coupled with IMI's lower China and Europe operations; partly offset by AC Energy's higher trade payables; and MWC's increase in Estate Water operations, higher income tax plus penalty accruals for water shortage incident. This account is at 23% and 28% of the total liabilities as of June 30, 2019 and December 31, 2018, respectively.

Contract liabilities – 71% decrease from ₱21,989 million to ₱6,299 million

Decrease mainly arising from movements in ALI's accounts. This account is at 1% and 3% of the total liabilities as of June 30, 2019 and December 31, 2018, respectively.

Income tax payable – 25% increase from ₱3,407 million to ₱4,256 million

Increase mainly arising from higher tax payable of ALI group. This account is less than 1% of the total liabilities as of June 30, 2019 and December 31, 2018.

¹ The Parent 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 Parent Company, governed by a board of trustees appointed under a Trust Agreement between the Parent Company and the initial trustees. It holds common and preferred shares of the Parent 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 include the Parent Company's Chief Finance Officer, Group Head of Corporate Governance, General Counsel, Corporate Secretary and Compliance Officer, Head for Strategic Human Resources, Treasurer and Comptroller. ACEWRF has not exercised voting rights over any shares of the Parent Company that it owns.

Other current liabilities – 166% increase from ₱11,129 million to ₱29,626 million

Increase due to ALI's higher customer deposits. This account is at 4% and 2% of the total liabilities as of June 30, 2019 and December 31, 2018, respectively.

Long-term debt (current) – 52% decrease from ₱48,481 million to ₱23,400 million

Decrease due to loans maturity of ALI and AYC's actual exchange of its bonds into ALI shares. This account is at 3% and 7% of the total liabilities as of June 30, 2019 and December 31, 2018, respectively.

Service concession obligation (current) – 19% decrease from ₱821 million to ₱667 million

Decrease was due to periodic payments made by MWC. This account is at less than 1% of the total liabilities as of June 30, 2019 and December 31, 2018.

Long-term debt (noncurrent) – 18% increase from ₱324,263 million to ₱384,157 million

Increase coming from AC Energy's issuance of Green bonds, ALI's, IMI's and MWC's additional borrowings; partly offset by loan settlement of AYC. This account is at 52% and 44% of the total liabilities as of June 30, 2019 and December 31, 2018, respectively.

Contract liabilities (noncurrent) – 10% decrease from ₱8,630 million to ₱8,432 million

Decrease pertains to ALI's contract liabilities. This account is at 1% of the total liabilities as of June 30, 2019 and December 31, 2018.

Service concession obligation (noncurrent) – 5% decrease from ₱7,018 million to ₱7,719 million

Decrease related to MWC's service concession obligation. This account is at 1% of the total liabilities as of June 30, 2019 and December 31, 2018.

Lease liabilities (current and noncurrent) – amounted to ₱17,290 million in June 2019

Account is in relation to adoption of PFRS 16 Leases which is mainly coming from ALI, IMI, AC Industrials, AC Health and MWC groups. This account is at 1% of the total liabilities as of June 30, 2019.

Pension liabilities – 6% increase from ₱2,590 million to ₱2,734 million

Net increase coming from AC, ALI, AC Energ; partly offset by decrease in AC Industrials' pension liability. This account is at less than 1% of the total liabilities as of June 30, 2019 and December 31, 2018, respectively.

Other noncurrent liabilities – 19% increase from ₱45,214 million to ₱53,734 million

Increase primarily due to ALI's higher customer deposits and retentions payable. This account is at 7% and 6% of the total liabilities as of June 30, 2019 and December 31, 2018, respectively.

Fair value reserve of financial assets at fair value through other comprehensive income (FVOCI) – 177% increase from negative ₱545 million to positive ₱417 million

Increase attributable to higher market value of securities held by BPI group. This account is at less than 1% of the total equity as of June 30, 2019 and December 31, 2018.

Cumulative translation adjustments – 78% decrease from ₱2,277 million to ₱498 million

Decrease due to decline in foreign accounts of most investments particularly AC Energy, IMI, Bestfull, ALI and Globe. Forex of PhP vs USD amounted to ₱51.24 in June 2019 vs. ₱52.58 in December 2018. This account is at less than 1% of the total equity as of June 30, 2019 and December 31, 2018.

Equity reserve and Equity conversion option (total) – 117% increase from ₱11,959 million to ₱25,907 million

Increase due to gain on sale of ALI shares in relation to AYC's exchangeable bonds conversions and consolidation of PHEN. This account is at 5% and 3% of the total equity as of June 30, 2019 and December 31, 2018, respectively.

Retained Earnings – 19% increase from ₱196,915 million to ₱234,892 million

Increase due to overall growth in net income of the group. This account is 44% and 42% of the total equity as of June 30, 2019 and December 31, 2018.

Treasury stock – 139% increase from ₱2,300 million to ₱5,492 million

Increase due to AC parent's purchase of common treasury shares (see Note 17). This account is 1% and below 1% of the total equity as of June 30, 2019 and December 31, 2018.

Non-controlling interests – 9% increase from ₱178,501 million to ₱195,216 million

Increase due to overall growth in net income, consolidation of PHEN partly offset by dividends. This account is 37% and 38% of the total equity as of June 30, 2019 and December 31, 2018.

Income Statement items

For the Period Ended June 30, 2019 vs. June 30, 2018

Sale of goods and rendering services – 2% increase from ₱134,524 million to ₱137,511 million

Increase in sale of goods and rendering services coming from ALI's higher revenues from core-mid and mid-income residential and leasing segments; increments from MWCI, AC Energy's RES unit and AC Health partly offset by AC Industrials lower sales volume. As a percentage to total revenue, this account is at 86% and 90% in June 30, 2019 and 2018, respectively.

Share in net profits of associates and joint ventures – 11% increase from ₱10,049 million to ₱11,146 million

Increase coming from Globe's higher revenues and BPI's higher interest and non-interest income; partly offset by AC Energy's investees lower earnings. As a percentage to total revenue, this account is at 7% in June 30, 2019 and 2018.

Interest income – 47% increase from ₱3,556 million to ₱5,212 million

Increase attributable to interest income from ALI group. This account is at 3% and 2% of the total revenue in June 30, 2019 and 2018, respectively.

General and administrative expenses – 16% increase from ₱13,826 million to ₱16,083 million

Increase mainly from MWC's accrual of penalty for water shortage incident amounting to ₱534 million; higher costs from consolidation of new business units: in latter part of 2018 by AC Infra (Entrego) and in 2019 by AC Health (Generika); and AC Energy's higher business taxes and manpower costs including professional fees and restructuring costs for sale of thermal assets. Factoring out impact of the new consolidated units, GAE increased by 13.6% year-on-year. GAE was also increased with the Group's adoption of PFRS 16 amounting to P32 million (also see Note 2). As a percentage to total costs and expenses, this account is at 14% and 13% in June 30, 2019 and 2018, respectively.

Other income – 185% increase from ₱10,874 million to ₱30,941 million

Increase pertains to AC Energy's gain on the partial sale of AA Thermal, Inc. to Aboitiz Power Corporation (see Note 3); partly offset by lower liquidated damages on delayed completion of GNPK plant and impact of last year's Sithe commission fees; and IMI's impact of gain on China asset last year offset by gains on put option and PPA adjustment from an acquisition.

Interest and other financing charges – 26% increase from ₱9,018 million to ₱11,347 million

Increase due to higher interest expenses of ALI, AC/AYC, MWC and AC Energy as a result of higher debt balance level this year as compared to last year. The Group's adoption of PFRS 16 also increased interest expense amounting to P296 million shown in the table below (see Note 2).

(in millions pesos)	YTD June 2019			YTD June 2018	Inc (Dec)
	Post-PFRS 16	PFRS 16 impact	Pre-PFRS 16		
Interest & other financing charges	11,347	292	11,055	9,018	23%

Other charges – 24% decrease from ₱4,792 million to ₱3,654 million

Decrease due to MWC's lower rehabilitation works of service concession assets.

Income attributable to Owners of the parent – 135% increase from ₱16,068 million to ₱37,838 million

Increase resulting from better operating results of ALI and higher equity in net earnings of Globe and BPI and on AC Energy's gain from sale of AA Thermal.

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 23 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, 2018 or in the SEC 17A / SEC 17Q and SEC 17-C reports for 2018.

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

1. On April 26, 2019, at the annual meeting of the Parent Company's stockholders, the following are the major items approved:
 - a. Approval of minutes of the annual stockholders' meeting held on April 20, 2018.
 - 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, 2018, as audited by the Corporation's external auditor SyCip Gorres Velayo & Co.
 - c. Ratification of each and every act and resolution, from 20 April 2018 to 26 April 2019 (the "Period"), of the Board of Directors (the "Board") and the Executive Committee and other Board committees exercising powers delegated by the Board, and each and every act, during the Period, of the officers of the Corporation performed in accordance with the resolutions of the Board, the Executive Committee and other Board committees as well as with the By-laws of the Corporation.
 - d. Approval of the amendment of the Second Article of the Articles of Incorporation to expressly include in the Corporation's primary purpose, the authority of the Corporation to act as guarantor and surety for the loans and obligations of its affiliates or associates, as recommended by the Board of Directors in Resolution No. B-0919.
 - e. 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)
 - f. Approval of the re-election of SyCip, Gorres, Velayo & Co. as the external auditors of the Parent Company for the year 2019 for an audit fee of ₱5.77 million, inclusive of value-added tax.

At its organizational meeting held immediately after the stockholders' meeting, the Board of Directors considered and approved the following:

- a. Election of 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. Election of Mr. Xavier P. Loinaz as lead independent director.

c. Election of Officers (excluding seconded officers):

Jaime Augusto Zobel de Ayala	- Chairman & Chief Executive Officer
Fernando Zobel de Ayala	- Vice Chairman, President and Chief Operating Officer
Jose Rene Gregory D. Almendras*	- Senior Managing Director & Public Affairs Group Head
Cezar P. Consing	- Senior Managing Director
Bernard Vincent O. Dy	- Senior Managing Director
Jose Teodoro K. Limcaoco	- Senior Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head
Arthur R. Tan	- Senior Managing Director
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, and Corporate Governance 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
Estelito C. Biacora	- Executive Director and Treasurer
Josephine G. De Asis	- Executive Director and Controller
Dodjie D. Lagazo	- Assistant Corporate Secretary
Joanne M. Lim	- Assistant Corporate Secretary

*Please refer to page 64 on disclosures of Events after the Reporting Period.

d. 2019 stock option program pursuant to the Employee Stock Ownership Plan (the "Plan"). The program authorizes the grant to 41 executives, in accordance with the terms of the Plan, stock options covering up to a total of 767,942 common shares at a subscription price of ₱883.83 per share, which is the rounded-off volume-weighted average price of our common shares at the Philippine Stock Exchange over the last 5-day trading days from April 17 to 25, 2019.

The following are the Management Committees:

a. 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, Inc.
Solomon M. Hermosura	- Chief Legal Officer, Corporate Secretary, Compliance Officer, Data Protection Officer & Corporate Governance Group Head, Ayala Corporation
Jose Teodoro K. Limcaoco	- President, AC Ventures Holding Corp. and Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer and Finance Group Head, Ayala Corporation
Ruel T. Maranan	- President, Ayala Foundation, Inc.
John Philip S. Orbeta	- Chief Human Resources Officer and Corporate Resources Group Head, Ayala Corporation
Arthur R. Tan	- Chief Executive Officer, Integrated Micro-Electronics, Inc. and Group President and Chief Executive Officer, AC Industrial Technology Holdings, Inc.

b. 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

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: August 14, 2019