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(Company's Full Name)

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

Josephine G. De Asis

Contact Person

(632) 7908-3000

Company Telephone Number

1	2		3	1
Month		Day		
Fiscal Year				

1	7	-	Q	
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0	4		2	3
Month		Day		
Annual Meeting				

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Secondary License Type, if Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

6	3	8	7
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Total No. Of Stockholders

Total Amount of Borrowings

₱40.0 billion bonds

Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

Cashier

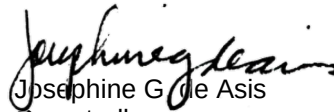
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Certification

I, Josephine G. de Asis, Comptroller, a duly authorized representative of Ayala Corporation (Company) with SEC registration number 34218 with principal office at 32F to 35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, do hereby certify and state that:

- 1) In compliance with Securities and Exchange Commission (SEC) Memorandum Circular No. 3, series of 2021 and the notice issued by the Securities and Exchange Commission (SEC) on 17 March 2020, the Company is timely filing its September 2021 SEC Form 17-Q by sending the same (in portable document format) through email to ictdsubmission@sec.gov.ph and by uploading the same through the PSE EDGE in accordance with the relevant PSE rules and procedures.
- 2) The information contained in the September 2021 SEC Form 17Q dated November 12, 2021 is **true and correct** to the best of my knowledge.
- 3) I am executing this certification this November 12, 2021 to attest to the truthfulness of the foregoing facts and for whatever legal purpose it may serve.


Josephine G. de Asis
Comptroller
Passport No. P0174919B

SEC No. 34218
File No. _____

AYALA CORPORATION

(Company's Full Name)

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

(Company's Address)

(632) 7908-3000

(Telephone Number)

September 30, 2021

(Quarter Ending)
(Month & Day)

SEC Form 17- Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION (SEC)

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2021**
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) 7908-3000**
9. Former name, former address, former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA:

Title of each class	Number of shares issued & outstanding As of September 30, 2021
Preferred A	0*
Preferred B Series 1	20,000,000**
Preferred B Series 2	30,000,000
Voting Preferred	200,000,000
Common	619,695,649***

* net of 12,000,000 treasury shares

** net of 8,000,000 treasury shares

*** net of 14,194,854 treasury shares

Amount of debt outstanding as of September 30, 2021: **₱40.0 billion in bonds******

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

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

As of September 30, 2021, 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 (APB2R) shares are listed in the Philippine Stock Exchange (PSE). A total of 14,194,854 common shares, 12,000,000 ACPA shares and 8,000,000 ACPB1 shares are held in Treasury by the Parent Company.

12. Check whether the registrant:

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

(b) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

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The unaudited interim condensed consolidated financial statements and other parts of the entire SEC 17Q report as of September 30, 2021 make reference to certain financial information and disclosures in the December 31, 2020* annual audited consolidated financial statements. This SEC17Q report should be read in conjunction with that Group's financial statements*.

This SEC17Q report also includes financial and operating data with respect to Ayala's material subsidiaries [Ayala Land, Inc. (ALI), Integrated Micro-Electronics, Inc. (IMI), and AC Energy and Infrastructure Corporation, Inc. (AC Energy or ACEIC; *formerly AC Energy, Inc.*) with key subsidiary AC Energy Corporation (ACEN)], associates [Bank of the Philippine Islands (BPI) and Manila Water Company, Inc. (MWC)] and joint venture [Globe Telecom, Inc. (Globe)]. This SEC 17Q should also be read in conjunction with the financial information and operating highlights of these investees as contained in their respective December 31, 2020 audited financial statements, and SEC17A reports; and September 30, 2021 SEC17Q reports, as applicable.**

**The audited consolidated financial reports and SEC 17A report of Ayala Corporation and Subsidiaries as of December 31, 2020 and the SEC 17Q report as of September 30, 2021 are available at the Parent Company's website www.ayala.com.ph.*

***The audited consolidated financial reports and SEC 17A reports as of December 31, 2020 as well as SEC 17Q report as of September 30, 2021, as applicable, of the following companies under the Group are available in the following websites: ALI www.ayalaland.com.ph, IMI www.global-imi.com, ACEIC www.acenergy.com.ph, BPI www.bpi.com.ph, MWC www.manilawater.com, and Globe www.globe.com.ph*

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PART I FINANCIAL INFORMATION

Section 1 Financial Statements

Ayala Corporation and Subsidiaries

**Unaudited Interim Condensed Consolidated Financial Statements
As at September 30, 2021 (With comparative audited figures as at December 31, 2020)
and for the Nine Months Period Ended September 30, 2021 and 2020**

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30, 2021 (With Comparative Audited Figures as at December 31, 2020)
(Amounts in Thousands)

	September 2021 Unaudited	December 2020 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱ 124,875,897	₱ 88,653,956
Short-term investments (Note 5)	1,045,857	822,410
Accounts and notes receivable (Note 6)	139,853,189	137,094,187
Inventories (Note 7)	169,641,840	160,871,941
Other current assets (Note 8)	83,713,048	74,314,892
Assets under PFRS 5 (Note 20)	12,041,958	196,136,570
Total Current Assets	531,171,789	657,893,956
Noncurrent Assets		
Noncurrent accounts and notes receivable (Note 6)	90,466,911	57,382,232
Investments in associates and joint ventures (Note 10)	285,180,095	255,007,953
Investment properties (Note 12)	231,764,567	226,456,967
Property, plant and equipment (Note 12)	98,150,276	94,537,980
Right-of-use assets (Note 9)	20,316,405	19,812,516
Service concession assets (Note 13)	1,495,167	1,556,241
Intangible assets (Note 11)	21,750,185	19,624,573
Deferred tax assets - net (Note 11)	15,069,629	14,634,045
Other noncurrent assets (Note 8)	64,407,726	58,851,529
Total Noncurrent Assets	828,600,961	747,864,036
Total Assets	₱ 1,359,772,750	₱ 1,405,757,992
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Note 16)	₱ 52,225,204	₱ 32,439,507
Accounts payable and accrued expenses (Note 14)	178,366,416	177,315,357
Income tax payable	971,906	1,907,146
Current portion of:		
Long-term debt (Note 16)	43,763,189	36,514,381
Lease liabilities (Note 9)	1,701,382	1,445,492
Service concession obligation (Note 13)	19,880	19,880
Other current liabilities (Note 15)	25,947,501	26,596,440
Liabilities under PFRS 5 (Note 20)	-	124,291,482
Total Current Liabilities	302,995,478	400,529,685
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	413,003,012	372,800,369
Lease liabilities - net of current portion (Note 9)	24,156,612	22,672,228
Service concession obligation - net of current portion (Note 13)	66,338	66,338
Deferred tax liabilities - net	9,610,648	9,398,205
Pension liabilities	5,016,609	5,093,406
Other noncurrent liabilities (Note 15)	54,319,832	52,775,650
Total Noncurrent Liabilities	506,173,051	462,806,196
Total Liabilities	809,168,529	863,335,881

Equity

Equity attributable to owners of the parent company		
Paid-in capital (Note 17)	85,928,866	85,613,944
Share-based payments	51,409	102,619
Remeasurement losses on defined benefit plans	(6,147,938)	(6,351,002)
Fair value reserve of financial assets at fair value through other comprehensive income (FVOCI)	(1,967,446)	40,792
Cumulative translation adjustments	1,478,889	(1,635,505)
Equity reserve	32,110,535	30,741,420
Retained earnings (Note 17)	254,928,707	238,072,873
Treasury stock (Note 17)	(12,382,517)	(6,605,153)
Reserves under PFRS 5 (Note 20)	-	(800,218)
	354,000,505	339,179,770
Non-controlling interests	196,603,716	203,242,341
Total Equity	550,604,221	542,422,111
Total Liabilities and Equity	₱ 1,359,772,750	₱ 1,405,757,992

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months and Nine Months Ended September 30, 2021 and 2020
(Amounts in Thousands, Except Earnings Per Share Figures)

	2021		2020	
	July to Sept.	Jan. to Sept.	July to Sept.	Jan. to Sept.
CONTINUING OPERATIONS				
REVENUE (Note 19)				
Sale of goods and rendering of services	₱ 53,605,622	₱ 160,140,500	₱ 48,514,946	₱ 133,147,417
Share in net profits of associates and joint ventures	5,230,408	17,006,997	4,388,519	14,194,586
Interest income from real estate	1,752,791	5,352,030	2,133,786	6,361,069
	60,588,821	182,499,527	55,037,251	153,703,072
COSTS AND EXPENSES				
Costs of sales and services	41,972,741	123,770,232	37,339,082	98,703,600
General and administrative expenses	7,059,669	20,308,951	7,132,419	21,669,149
	49,032,410	144,079,183	44,471,501	120,372,749
OTHER INCOME (CHARGES) - Net				
Interest income	1,351,210	3,452,476	652,300	2,235,032
Other income	6,126,945	7,653,611	1,169,726	4,274,682
Interest and other financing charges	(6,878,761)	(20,746,680)	(6,928,282)	(20,397,039)
	599,394	(9,640,593)	(5,106,256)	(13,887,325)
INCOME BEFORE INCOME TAX	12,155,805	28,779,751	5,459,494	19,442,998
PROVISION FOR INCOME TAX				
Current	890,413	3,545,330	1,300,189	3,865,491
Deferred	308,404	(9,425)	(100,774)	229,072
	1,198,817	3,535,905	1,199,415	4,094,563
NET INCOME AFTER TAX	10,956,988	25,243,846	4,260,079	15,348,435
OPERATIONS OF THE SEGMENT UNDER PFRS 5 (Note 20)				
Net income after tax	5,259	(1,262,756)	1,205,311	1,920,499
NET INCOME	₱ 10,962,247	₱ 23,981,090	₱ 5,465,390	₱ 17,268,934
Net Income Attributable to:				
Owners of the Parent Company	₱ 8,961,478	₱ 19,358,840	₱ 3,423,633	₱ 11,367,534
Non-controlling interests	2,000,769	4,622,250	2,041,757	5,901,400
	₱ 10,962,247	₱ 23,981,090	₱ 5,465,390	₱ 17,268,934
EARNINGS PER SHARE BEFORE OPERATIONS OF SEGMENT UNDER PFRS 5 (Note 18)				
Basic	₱ 13.76	₱ 29.04	₱ 3.76	₱ 14.81
Diluted	₱ 13.74	₱ 29.00	₱ 3.76	₱ 14.80
EARNINGS PER SHARE (Note 18)				
Basic	₱ 13.90	₱ 29.46	₱ 4.95	₱ 16.58
Diluted	₱ 13.88	₱ 29.42	₱ 4.94	₱ 16.57

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months and Nine Months Ended September 30, 2021 and 2020
(Amounts in Thousands)

	2021		2020	
	July to Sept.	Jan. to Sept.	July to Sept.	Jan. to Sept.
NET INCOME	₱10,962,247	₱23,981,090	₱ 5,465,390	₱17,268,934
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	(6,961)	917,534	526,205	(3,156,653)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gains (losses) on defined benefit plans	(48,560)	375,907	(288,858)	(214,096)
Changes in fair values of financial assets at FVOCI - net	(474,995)	(1,069,819)	(1,286,742)	(1,732,144)
	(530,516)	223,622	(1,049,395)	(5,102,893)
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	1,251,575	1,859,842	(604,425)	(2,220,137)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gains (losses) on defined benefit plans	5,044	(161,175)	297,686	(109,474)
Changes in fair values of financial assets at FVOCI - net	(41,946)	(676,911)	(458,647)	359,356
	1,214,673	1,021,756	(765,385)	(1,970,256)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	684,157	1,245,378	(1,814,780)	(7,073,149)
TOTAL COMPREHENSIVE INCOME	₱11,646,404	₱25,226,468	₱ 3,650,610	₱10,195,785
Total Comprehensive Income Attributable to:				
Owners of the Parent Company	₱ 9,170,152	₱19,982,754	₱ 1,687,674	₱ 5,569,974
Non-controlling interests	2,476,252	5,243,714	1,962,936	4,625,811
	₱11,646,404	₱25,226,468	₱ 3,650,610	₱10,195,785

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Periods Ended September 30, 2021 and 2020 (With Comparative Audited Figures for the Year Ended December 31, 2020)
(Amounts in Thousands)

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY											Non-controlling Interests	Total Equity
	Other Comprehensive Income					Equity Reserve	Reserves under PFRS 5 (Note 20)	Retained Earnings	Treasury Stock	Total			
	Paid-in Capital	Share-based Payments	Remeasurement Gains (Losses) on Defined Benefit Plans	Fair Value Reserve of Financial Assets at FVOCI	Cumulative Translation Adjustments								
	For the Period Ended September 30, 2021 (Unaudited)												
As of January 1, 2021 (Audited)	P 85,613,944	P102,619	P(6,351,002)	P 40,792	P(1,635,505)	P 30,741,420	P(800,218)	P 238,072,873	P (6,605,153)	P 339,179,770	P 203,242,341	P 542,422,111	
Change in accounting policy (Note 2)								655,438		655,438	609,260	1,264,698	
As of January 1, 2021 (as Restated)	P 85,613,944	P102,619	P(6,351,002)	P 40,792	P(1,635,505)	P 30,741,420	P(800,218)	P 238,728,311	P (6,605,153)	P 339,835,208	P 203,851,601	P 543,686,809	
Net Income	-	-	-	-	-	-	-	19,358,840	-	19,358,840	4,622,250	23,981,090	
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(161,175)	(676,911)	1,859,842	-	-	-	-	1,021,756	-	1,021,756	
Other comprehensive income (loss)	-	-	451,480	(1,384,301)	534,978	-	-	-	-	(397,843)	621,465	223,622	
Reclassification of fair value loss on investment in equity securities of FVOCI	-	-	-	66,594	-	-	-	(66,594)	-	-	-	-	
Reserves under PFRS 5 (Note 20)	-	-	(40,542)	(671)	742,211	(1,501,216)	800,218	-	-	-	-	-	
Total comprehensive income (loss)	-	-	249,763	(1,995,289)	3,137,031	(1,501,216)	800,218	19,292,246	-	19,982,753	5,243,715	25,226,468	
Exercise of ESOP/ESOWN	314,922	(51,210)	-	-	-	-	-	-	-	263,712	-	263,712	
Buy-back of common shares	-	-	-	-	-	-	-	-	(5,777,364)	(5,777,364)	-	(5,777,364)	
Cash Dividends	-	-	-	-	-	-	-	(3,091,850)	-	(3,091,850)	(1,345,449)	(4,437,299)	
Change due to loss of control over a subsidiary	-	-	(46,699)	(12,949)	(22,637)	-	-	-	-	(82,285)	(21,486,796)	(21,569,081)	
Change in non-controlling interests	-	-	-	-	-	2,870,331	-	-	-	2,870,331	10,340,645	13,210,976	
At September 30, 2021 (Unaudited)	P 85,928,866	P 51,409	P(6,147,938)	P(1,967,446)	P 1,478,889	P 32,110,535	P -	P 254,928,707	P(12,382,517)	P 354,000,505	P 196,603,716	P 550,604,221	

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	Fair Value Reserve of Financial Assets at FVOCI	Cumulative Translation Adjustments	Equity Reserve	Reserves under PFRS 5	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
	For the Period Ended September 30, 2020 (Unaudited)											
As of January 1, 2020 (Audited)	₱84,876,225	₱ 214,617	₱ (3,117,329)	₱ 66,917	₱ 3,234,618	₱ 25,282,942	₱ (1,467,449)	₱ 225,454,620	₱(5,737,896)	₱ 328,807,265	₱ 180,506,293	₱509,313,558
Net Income	-	-	-	-	-	-	-	11,367,534	-	11,367,534	5,901,400	17,268,934
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(109,474)	359,356	(2,220,138)	-	-	-	-	(1,970,256)	-	(1,970,256)
Other comprehensive income (loss)	-	-	(39,509)	(1,563,656)	(2,224,139)	-	-	-	-	(3,827,304)	(1,275,589)	(5,102,893)
Reclassification of fair value loss on investment in equity securities of FVOCI	-	-	-	369,734	-	-	-	(369,734)	-	-	-	-
Reserves under PFRS 5	-	-	-	-	125,026	(44,170)	(80,856)	-	-	-	-	-
Total comprehensive income (loss)	-	-	(148,983)	(834,566)	(4,319,251)	(44,170)	(80,856)	10,997,800	-	5,569,974	4,625,811	10,195,785
Exercise of ESOP/ESOWN	427,327	(17,612)	-	-	-	-	-	-	-	409,715	-	409,715
Buy-back of common shares	-	-	-	-	-	-	-	-	(867,257)	(867,257)	-	(867,257)
Cash Dividends	-	-	-	-	-	-	-	(2,170,721)	-	(2,170,721)	(2,252,352)	(4,423,073)
Change in non-controlling interests	-	-	-	-	-	5,035,384	-	-	-	5,035,384	14,622,456	19,657,840
At September 30, 2020 (Unaudited)	₱85,303,552	₱ 197,005	₱ (3,266,312)	₱ (767,649)	₱ (1,084,633)	₱ 30,274,156	₱ (1,548,305)	₱ 234,281,699	₱(6,605,153)	₱ 336,784,360	₱ 197,502,208	₱534,286,568

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	Fair Value Reserve of Financial Assets at FVOCI	Cumulative Translation Adjustments	Equity Reserve	Reserves under PFRS 5 (Note 20)	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
For the Period Ended December 31, 2020 (Audited)												
As of January 1, 2020 (Audited)	₱ 84,876,225	₱ 214,617	₱ (3,117,329)	₱ 66,917	₱ 3,234,618	₱ 25,282,942	₱ (1,467,449)	₱ 225,454,620	₱ (5,737,896)	₱ 328,807,265	₱ 180,506,293	₱ 509,313,558
Net Income	-	-	-	-	-	-	-	17,141,714	-	17,141,714	12,128,629	29,270,343
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(2,473,965)	(108,754)	(2,421,507)	-	-	-	-	(5,004,226)	-	(5,004,226)
Other comprehensive income (loss)	-	-	(752,205)	(99,453)	(1,835,311)	-	-	-	-	(2,686,969)	(421,873)	(3,108,842)
Reclassification of fair value loss on investment in equity securities of FVOCI	-	-	-	181,884	-	-	-	(181,884)	-	-	-	-
Reserves under PFRS 5	-	-	(7,503)	198	(613,305)	(46,621)	667,231	-	-	-	-	-
Total comprehensive income (loss)	-	-	(3,233,673)	(26,125)	(4,870,123)	(46,621)	667,231	16,959,830	-	9,450,519	11,706,756	21,157,275
Buy-back of common shares	-	-	-	-	-	-	-	-	(867,257)	(867,257)	-	(867,257)
Exercise of ESOP/ESOWN	737,719	(111,998)	-	-	-	-	-	-	-	625,721	-	625,721
Cash Dividends	-	-	-	-	-	-	-	(4,341,577)	-	(4,341,577)	(2,252,352)	(6,593,929)
Change in non-controlling interests	-	-	-	-	-	5,505,099	-	-	-	5,505,099	12,182,300	17,687,399
Business combination during the year	-	-	-	-	-	-	-	-	-	-	1,099,344	1,099,344
At December 31, 2020 (Audited)	₱ 85,613,944	₱ 102,619	₱ (6,351,002)	₱ 40,792	₱ (1,635,505)	₱ 30,741,420	₱ (800,218)	₱ 238,072,873	₱ (6,605,153)	₱ 339,179,770	₱ 203,242,341	₱ 542,422,111

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Periods Ended September 30, 2021 and 2020
(Amounts in Thousands)

	For the Periods Ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	₱ 28,779,751	₱ 19,442,998
Income before income tax from operations of the segment under PFRS 5 (Note 20)	449,977	3,697,263
Income before income tax	29,229,728	23,140,261
Adjustments for:		
Interest and other financing charges - net of amount capitalized	21,664,325	22,199,222
Depreciation and amortization	13,223,260	14,904,402
Impairment loss on remeasurement to fair value less costs to sell (Note 20)	3,068,020	1,791,785
Provision for (reversal of) impairment/ losses on:		
Investments in associates and joint ventures	(138,000)	907,346
Receivables (Note 6)	331,373	376,089
Inventory obsolescence (Note 7)	78,004	82,903
Intangibles, property, plant and equipment and other provisions	97,827	750,170
Mark to market loss (gain) on financial assets at fair value through profit or loss (FVTPL) and derivative contracts	12,693	(676,534)
Dividend and other investment loss (income)	(2,794,560)	375,294
Remeasurement gain on previously held interest	(2,397,237)	-
Gain on sale of:		
Investments	(439,437)	(55,066)
Other assets	(45,220)	(91,879)
Interest income	(8,941,288)	(8,951,049)
Share in net profit of associates and joint ventures	(17,306,017)	(14,287,164)
Operating income before changes in operating assets and liabilities	35,643,471	40,465,780
Decrease (increase) in:		
Accounts and notes receivable - trade	6,531,483	(7,297,658)
Inventories	(8,831,136)	(2,496,282)
Service concession asset	(2,956,857)	(6,275,175)
Other current assets	(7,201,288)	(11,172,902)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,960,651	(10,468,140)
Net pension liabilities	387,307	288,240
Other current liabilities	(894,303)	(13,320,301)
Cash generated from (used in) operations	25,639,328	(10,276,438)
Interest received	7,353,702	8,704,907
Interest paid	(15,713,089)	(18,658,968)
Income tax paid	(5,437,084)	(6,784,531)
Net cash provided by (used in) operating activities	11,842,857	(27,015,030)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale/maturities of financial assets at FVOCI	555,364	14,688
Sale/maturities of financial assets at FVTPL	483,450	-
Sale/redemptions of investments in associates and joint ventures	72,830	516,901

Disposals of:		
Property, plant and equipment	592,147	314,835
Investment properties	5,101	195,361
Additions to short-term investments	(559,391)	(5,546,843)
Additions to:		
Service concession assets	(341)	(2,978)
Investments in associates and joint ventures	(3,345,353)	(5,337,479)
Property, plant and equipment	(10,466,762)	(8,420,105)
Investment properties	(10,997,424)	(4,890,041)
Financial assets at FVTPL (Note 8)	(252,945)	(2,949,587)
Financial assets at FVOCI (Note 8)	(650,403)	(559,906)
Financial assets at amortized cost (Note 8)	(8,933,656)	(9,800,107)
Accounts and notes receivable - non trade	(16,857,408)	(2,680,813)
Intangible assets	(230,349)	(1,665,460)
Dividends received from associates, joint ventures and investments in equity securities	6,182,971	5,519,455
Acquisitions through business combinations - net of cash acquired (Note 3)	(1,515,361)	(5,381,603)
Change due to loss of control over a subsidiary (Note 3)	(19,655,888)	-
Decrease in other noncurrent assets	6,433,580	2,622,319
Net cash used in investing activities	(59,139,838)	(38,051,363)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from:		
Short-term and long-term debt (Note 16)	237,533,719	250,063,952
Issuance of common shares	73,087	248,803
Payments of short-term and long-term debt (Note 16)	(182,269,693)	(194,441,620)
Acquisition of treasury shares - common	(5,777,364)	(867,257)
Dividends paid	(6,670,094)	(8,169,972)
Payment of principal portion of lease liabilities	(2,484,538)	(1,486,647)
Service concession obligation paid	(297,228)	(817,167)
Collections of subscriptions receivable	190,904	167,363
Cost of issuance/reissuance of shares	(279)	(6,451)
Interest paid	(5,257,984)	(4,429,459)
Increase in:		
Other noncurrent liabilities	5,294,122	9,773,056
Non-controlling interests in consolidated subsidiaries	17,748,939	18,435,241
Net cash provided by financing activities	58,083,591	68,469,842
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,786,610	3,403,449
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	114,089,287	107,353,619
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱ 124,875,897	₱ 110,757,068*

*Includes cash and cash equivalents of assets under PFRS 5.

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

Ayala Corporation (the Parent Company, Ayala or AC) is the holding company of one of the oldest and largest business groups in the Philippines that traces its history back to the establishment of the Casa Roxas business house in 1834. The Parent Company was incorporated on January 23, 1968, and its Class A Shares and Class B Shares were first listed on the Manila and Makati Stock Exchanges (the predecessors of the PSE) in 1976. In 1997, the Parent Company's Class A and Class B Shares were declassified and unified as Common Shares.

The Parent Company is a corporation having a perpetual corporate term pursuant to Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines. As of September 30, 2021, the Parent Company is 47.87% owned by Mermac, Inc. and the rest by the public. Mermac, Inc., a private holding company incorporated in the Philippines is the dominant shareholder of Ayala. Ayala's registered office address and principal place of business is 32F to 35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Parent Company is organized as a holding company holding equity interests in the Ayala Group (the "Group"), one of the largest and most diversified groups in the Philippines. Ayala's business activities are divided into: (a) real estate, (b) banking, (c) telecommunications, (d) water, (e) industrial technologies, (f) power, (g) infrastructure, (h) healthcare, (i) education and (j) technology ventures.

Ayala's real estate business is primarily conducted through its subsidiary, Ayala Land, Inc. (Ayala Land or ALI), a diversified real estate company in the Philippines. Its involvement in financial services is through an associate, the Bank of the Philippine Islands (BPI), which, together with its subsidiaries (together, the BPI Group), form a universal banking group in the Philippines. Ayala's telecommunications business is carried out through a joint venture affiliate, Globe Telecom, Inc. (Globe), a leading telecommunications company in the Philippines. Ayala's investments in water infrastructure is under Manila Water Company, Inc. ("Manila Water" or "MWC"). Its international business in electronics manufacturing services and vehicle distribution and retail are under AC Industrial Technology Holdings Inc. (AC Industrials or ACI). Ayala's investments in the power sector are held under AC Energy and Infrastructure Corporation (AC Energy or ACEIC, *formerly AC Energy, Inc.*), while its investments in transport and logistics infrastructure are housed under AC Infrastructure Holdings Corp. (AC Infra). Its business in healthcare is conducted through Ayala Healthcare Holdings, Inc. (AC Health). On May 2, 2019, Ayala finalized the merger of its wholly-owned subsidiary AC Education Inc. (AC Education or AEI) to iPeople Inc. (iPeople or IPO), with iPeople as the surviving entity. The merger resulted in Ayala owning a 33.5% stake and House of Investments (HI) a 51.3% stake in iPeople.

Ayala is consolidating its energy, water and transport and logistics businesses under its wholly owned subsidiary, AC Energy, to create a sizeable and agile platform that would boost its foothold within the country's physical infrastructure space. The integrated infrastructure platform will house the Parent Company's stake in listed companies, AC Energy Corporation (ACEN, *formerly AC Energy Philippines, Inc.*) and Manila Water and its unlisted unit AC Infra. The consolidation of Ayala's various infrastructure interests creates a formidable platform with a strong balance sheet and allows Ayala to participate in the many opportunities in infrastructure development in a more significant way.

Certain members of the Ayala Group, namely ALI, BPI, Globe, MWC, IPO, Integrated Micro-Electronics, Inc. (IMI), AyalaLand Logistics Holdings (ALLHC or formerly known as Prime Orion Philippines Inc.(POPI), AREIT, Inc. (AREIT), ACEN and ACE Enexor, Inc. (ACEX) are likewise publicly listed corporations. Some of Ayala's subsidiaries, associates and joint ventures have holdings in the equity of other subsidiaries, associates and joint ventures.

On November 4, 2021, the Parent Company's Audit Committee of the Board of Directors 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

Basis of Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, as modified by the application of the reporting reliefs issued and approved by SEC and discussed under Statement of Compliance. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2020 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, 2020.

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), and derivative financial instruments that have been measured at fair value. The unaudited interim condensed consolidated financial statements include the accounts of the Parent Company and its subsidiaries and are presented in Philippine Peso (₱), and all values are rounded to the nearest thousand pesos (₱000) except when otherwise indicated.

The unaudited interim consolidated financial statements provide comparative information in respect of the previous period. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID 19 situation will remain and recovery is going to be gradual.

Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, as modified by the application of the following reporting reliefs issued and approved by SEC under Memorandum Circular No. 34-2020 in response to the COVID-19 pandemic:

- a. Assessing if the transaction price includes a significant financing component discussed in PIC Q&A No. 2018-12-D
- b. Treatment of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E.
- c. Application of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2020, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include the availment of reliefs granted by the above SEC MC in addition to those under MC Nos. 3-2019 and 14-2018 to defer the implementation of the following accounting pronouncements until December 31, 2020, which were adopted by the Group starting January 1, 2021.

- a. Treatment of uninstalled materials in the determination of the POC (as amended by PIC Q&A 2020-02); and,
- b. Accounting for Common Usage Service Area (CUSA) charges
- c. Deferral of the adoption of PIC Q&A 2018-14: Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)

SEC MC No. 34-2020 further extended the deferral of application of the provisions of PIC Q&A No. 2018-12 with respect to the accounting for significant financing component and the exclusion of land in the calculation of percentage of completion and IFRIC Agenda Decision on Overtime Transfers of Constructed Goods under PAS 23-Borrowing Cost, for another three (3) years or until 2023. To assist real estate companies to finally adopt the said PIC and IFRIC pronouncements and enable them to fully comply with PFRS 15 and revert to full PFRS, the Philippine SEC issued SEC Memorandum 8- 2021 to provide real estate companies the accounting policy option of applying

either the full retrospective approach or modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncements.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the section below under New Standards, Interpretations and Amendments.

Basis of Consolidation

The unaudited interim condensed consolidated financial statements comprise the statement of financial position of the Group as at September 30, 2021 with comparative audited figures as at December 31, 2020 and unaudited statements of income for the period ended September 30, 2021 and 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a. The contractual arrangement with the other vote holders of the investee
- b. Rights arising from other contractual arrangements
- c. The Group's voting rights and potential voting rights

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

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognize gain or loss, if any in profit or loss (under other income).

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions. The portion of profit or loss and net assets in subsidiaries not wholly-owned are presented separately in the consolidated statement of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statement of financial position, separately from the Parent Company's equity. Non-controlling interests are net of any outstanding subscription receivable.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

In accounting for call and put options over non-controlling interests, management determines whether it has present access to the returns associated with the non-controlling interests. If the options give the Group access to the returns over the non-controlling interests, the Group consolidates the acquiree as if it acquired a 100% interest.

If the option does not give the Group present access to the returns over the non-controlling interests, the Group takes the view that the non-controlling interests should be accounted for in accordance with PFRS 10, *Consolidated Financial Statements*, and must be presented within equity separate from the equity of the Parent Company, until the option is exercised.

For the periods ended September 30, 2021 and December 31, 2020, the call options are accounted for in accordance with PFRS 9, *Financial Instruments*, as a derivative asset or liability carried at FVTPL.

The financial liability for the put option is accounted for under PFRS 9 like any other written put option on equity instruments. On initial recognition, the corresponding debit is made to a component of equity attributable to the parent, not to the non-controlling interest. All subsequent changes in the carrying amount of the financial liability that result from the remeasurement of the present value payable on exercise are recognized in profit or loss also attributable to the parent.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and reverses the component of equity that was reduced on initial recognition. If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity as "Equity reserve" and attributed to the owners of the Parent Company.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while the resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Changes in Accounting Policies and Disclosures

Adoption of New and Amended Accounting Standards and Interpretations

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, 2020, except for the new PFRS, amended PFRS, improvements to PFRS and interpretations which were adopted beginning January 1, 2021. The nature and the impact of each new standards and interpretations that have been issued but are not yet effective are listed below. Unless otherwise indicated, the Group does not expect the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

ALI group adopted PAS 23 – Borrowing Costs, effective January 1, 2021, using modified retrospective approach. The standard requires borrowing costs directly attributable to the acquisition, construction or production of a 'qualifying asset' to be capitalized. Qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. This is primarily property, plant and equipment, and investment property during the construction period. The Group has not restated the comparative information and the cumulative effect of initially applying PAS 23 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships

- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after 1 January 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

- PIC Q&A 2018-14, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

ALI Group availed of the SEC relief to defer the adoption of this PIC Q&A until December 31, 2020. Currently, the Group records the repossessed inventory at cost. The Group has opted to implement approach 3 in its accounting for sales cancellation.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available

for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- Annual Improvements to PFRSs 2018-2020 Cycle
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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, 2023, with comparative figures required. Early application is permitted.

The Group is assessing the quantitative impact of PFRS 17 as of reporting date.

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 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.

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- a. the accounting policies applied;
- b. discussion of the deferral of the subject implementation issues in the PIC Q&A;
- c. qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted; and
- d. should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component.
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC.

After the deferral period, real estate companies have an accounting policy option of applying either the full retrospective approach or modified retrospective approach as provided under SEC MC 8-2021.

The ALI Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

- a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied using full retrospective approach or modified retrospective approach. The Group plans to adopt the PIC Q&A using the modified retrospective approach. Under this approach, the cumulative effect of initially applying the PIC Q&A is recognized at the date of the initial application as an adjustment to the opening balance of retained earnings therefore the comparative information will not be restated. The Group believes that the mismatch for its contract to sell does not constitute a significant financing component based on the examples provided in the PIC letter dated November 11, 2020.

- b. The exclusion of land in the determination of POC would have reduced the percentage of completion of real estate projects. Adoption of this guidance would have reduced revenue from real estate sales, cost of sales and installment contracts receivable; increased real estate inventories and would have impacted deferred tax asset or liability and provision for deferred income tax for all years presented, and the opening balance of retained earnings. The group believes that impact is not significant after excluding the land component and replacing it by other pre-construction activities allowed by the standard.

The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

The Group will continue to assess impact on the financials of these PICs and monitor developments from pronouncements of SEC and other regulatory bodies for appropriate adoption.

3. Group Information

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

Subsidiaries	Nature of Business	% of Economic Ownership Interest held by the Group	
		September 2021 (Unaudited)	December 2020 (Audited)
AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.) (AC Energy/ ACEIC)	Power	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/ ACI)	Industrial Technology and Automotive	100.0	100.0
Ayala Aviation Corporation (AAC)	Air Charter	100.0	100.0
Ayala Land, Inc. (ALI)	Real Estate and Hotels	46.4	44.4
AYC Finance Limited (AYCFL)*	Investment Holding	100.0	100.0
Azalea International Venture Partners Limited (AIVPL)**	Business Process Outsourcing	100.0	100.0
Ayala Healthcare Holdings, Inc. (AC Health)	Healthcare	100.0	100.0
	Investment Holding - International	100.0	100.0
Bestfull Holdings Limited (BHL)***		100.0	100.0
Darong Agricultural and Development Corporation (DADC)	Agriculture	100.0	100.0
HCX Technology Partners Inc. (HCX)	Technology Services	100.0	100.0
Integrated Microelectronics, Inc. (IMI)	Industrial Technologies	52.1	52.1
Manila Water Company, Inc. (MWC)****	Water	-	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
AC Logistics Holdings Corporation (AC Logistics)	Logistics	100.0	-

*Incorporated in Cayman Islands

**Incorporated in British Virgin Islands

***Incorporated in Hong Kong

****See Notes 3 and 20

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 economic 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:

The Group

Republic Act No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprise Act (previously the CITIRA bill or the TRABAHO bill) ("CREATE Law") intends to incentivize businesses by reducing corporate income tax, among others. Upon the effectivity of the CREATE Law, the following amendments introduced by the CREATE Law to the Tax Code that will have a material impact on the Group include the following:

- a. For domestic corporations with net taxable income of more than ₱5 Million and total assets (excluding land on which the corporation's office, plant, and equipment are situated) of more than ₱100 Million shall be subject to a reduced corporate income tax rate of 25% effective July 1, 2020. Domestic corporations with net taxable income of more than ₱5 Million and total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100 Million shall be imposed with a corporate income tax of 20% effective July 1, 2020. Prior to the CREATE Law, domestic corporations are subject to a 30% regular corporate income tax rate.
- b. Foreign sourced dividends shall only be exempt from taxation if (1) the funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation within the next taxable year from the time the foreign-sourced dividends were received and shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure projects; provided that the said domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shares for at least two (2) years at the time of the dividend declaration;
- c. Minimum corporate income tax shall be imposed on domestic and resident foreign corporations at a rate of (i) 1% of gross income effective July 1, 2020 until June 30, 2023, and (ii) 2% thereafter;
- d. Regional operating headquarters shall pay a tax of 10% of their taxable income and shall be subject to the regular corporate income tax of 25% effective December 31, 2021;
- e. Nonresident foreign corporations shall pay a reduced corporate income tax of 25% from a previous rate of 35%.

The CREATE Law likewise rationalizes income fiscal incentives, making them time-bound, targeted, and performance-based. Holders of tax incentives are given a sunset period to adjust to the tax regime changes that will be brought about by the CREATE Law. Consequently, upon the effectivity of the CREATE Law, some tax exemptions or tax incentives enjoyed by certain members of the Group have expired, will be revoked, or have been repealed, or, if other new laws are enacted, the income from these sources will be subject to the regular corporate income tax rate after the lapse of the sunset period. As a result, tax expense of affected members of the Group would increase, and their respective profitability would decrease. The expiration, non-renewal, revocation or repeal of these tax exemptions and tax incentives, the enactment of any new laws, and any associated impact on the Group, could have a material adverse effect on the Group's business, financial condition and results of operations.

The CREATE Law was signed by the President on March 26, 2021 and became effective on April 11, 2021. Impact of CREATE law in subsidiaries amounted to decrease of income tax expense by ₱947.8 million (₱554.1 million AC share), while impact in associates and joint ventures amounted to decrease of income tax expense by ₱1,915.5 million, ₱288.2 million of which pertains to AC share and booked under share in net profits of associates and joint ventures (see Note 10 and Section 2 - 2.8).

Parent Company

1. In January and August 2021, the Parent Company infused ₱490.0 million and ₱311.8 million, respectively, to AC Infra to fund, through LRMC, the operating requirements of LRT 1 train system.

On August 6, 2021, the Parent Company made a capital infusion of ₱900.0 million to AC Infra for funding requirements for the increase in stake in its subsidiaries, Entrego Fulfillment Solutions Inc. (Entrego) and Entrego Logistics Corporation (ELC).

2. In February 2021, the Parent Company made an additional investment in the preferred shares of AC Health amounting to ₱1,648.2 million to fund its acquisition of MGHI.

On August 12, 2021, the Parent Company made an additional investment in the preferred shares of AC Health amounting to ₱458.0 million to fund various expenditures of Zodiac Health Ventures, Inc., the cancer hospital of the Ayala Group.

3. In March and June 2021, the Parent Company made additional investments in AAC's common shares amounting to ₱50.0 million and ₱35.0 million, respectively, to fund its various expenditures.

4. The Ayala Corporation's press release on the Group's financial results:

- On May 14, 2021, the Ayala Corporation disclosed its 1Q21 financial results. Ayala's core net income, which excludes the significant increase in BPI's loan loss provisions and one-off items such as the retroactive effect of the CREATE law and the additional remeasurement loss taken for Manila Water, grew five percent to ₱7.2 billion in the first quarter of 2021 from the fourth quarter of 2020. This is also at par with the core net income generated in the first quarter of 2019, pre-pandemic. This quarter-on-quarter improvement in core net income was primarily driven by Globe from stronger contribution from its home broadband segment and AC Energy from its commercial operations. This cushioned the weaker performance of Ayala Land, AC Industrials, and AC Ventures. On the other hand, Ayala's reported net income, which includes the abovementioned items (loan loss provisions and one-off items), declined seven percent to ₱5.4 billion.

Year-on-year, Ayala's core net income declined nine percent to ₱7.2 billion in the first quarter from the same period last year. Meanwhile, its reported net income dropped 19 percent to ₱5.4 billion.

- On August 12, 2021, Ayala reported a net income of ₱10.4 billion in the first semester, expanding 31% from the low base of the previous year when the metropolis was under a higher quarantine status. The improved results of its business units supported Ayala's earnings. Meanwhile, its core net income, which isolates the effect of various provisions, remeasurement losses, the CREATE law, as well as divestment gains booked in 2019, decreased 8% to ₱13.3 billion in the first half of the year compared to the same period last year. This is equivalent to 90% of Ayala's pre-pandemic level.
5. In April 2021, AC Energy redeemed 58,342,840 redeemable preferred shares held by the Parent Company at a par value of ₱100.00/share for a total consideration of ₱5,834.3 million.
 6. On various dates in June 2021, the Parent Company purchased a total of 207,320,000 ALI common shares at varied purchase price /share for a total purchase price of ₱7,566.4 million.
 7. On various dates in July 2021, the Parent Company purchased a total of 70,800,000 ALI common shares at varied purchase price /share for a total purchase price of ₱2,552.5 million.
 8. On August 27, 2021, the Parent Company made a capital infusion of ₱6.5 million to AC Logistics to fund its incorporating capital.

9. On September 6, 2021, the Parent Company made a capital infusion of ₱397.0 million equivalent to 397,000 redeemable preferred shares (RPS) of AC Industrial to fund its automotive group's working capital and holding company's operating expenses.

ACEIC

1. ACEN's Capital Raising Activities

The AC Energy group is in the process of transforming its listed subsidiary ACEN to become the group's main energy platform. ACEN's recapitalization consists of fresh capital raising of ₱27.5 billion from the Stock Rights Offering (SRO) in January 2021, the private placement to GIC affiliate Arran Investment in March 2021, and proceeds from the Follow-on Offering (FOO) which was completed with the listing of 1.58 billion primary shares on May 14, 2021 (details of these transactions follow). The transformation also includes the infusion of the AC Energy group's international platform into ACEN. Upon the completion of its transformation, ACEN will have approximately 2,500MW of attributable capacity, of which around 1,900MW or 78 percent is from renewables sources. AC Energy's vision is to reach 5GW of renewables capacity by 2025, and it aspires to be the largest listed renewables platform in Southeast Asia (see Section 2 Management Discussion and Analysis).

Stock Rights Offering (SRO)

During the Rights Offer Period from January 18 - 22, 2021, ACEN sold, by way of SRO, a total of 2,267.58 million common shares at an Offer Price of ₱2.37 per share to eligible stockholders of record as at January 13, 2021. There were 2,094.90 million shares and 172.68 million shares sold in first round and second round allocation, respectively, with proceeds totaling ₱5.37 billion. The Rights Shares was listed with the PSE on January 29, 2021. The resulting total outstanding shares after the SRO is 15,960.04 million.

Bulacan Power Generation Corporation (Bulacan Power) acquired 23.28 million ACEN shares through its participation in ACEN's SRO. This is recognized as treasury shares in the consolidated financial statements of ACEN.

Private Placement

On March 18, 2021, ACEN announced the completion of the subscription by an affiliate of GIC Private Limited ("GIC"), Arran Investment Pte Ltd, to four billion primary shares of ACEN at a price of ₱2.97 per common share, via a private placement. The private placement enables ACEN to raise additional capital totaling ₱11.88 billion to fund its various developmental and operating projects, as well as potential acquisitions.

ACEN previously announced its BOD's approval of the investment by GIC on November 11, 2020, and the signing of an Investment Agreement with GIC (together with ACEIC, ACEN's parent company) on December 30, 2020.

The private placement is the first tranche of GIC's investment to achieve a 17.5% ownership stake in ACEN ("the Investment"). The Investment will be implemented through a combination of subscription to four billion primary shares via a private placement, and the purchase of secondary shares from ACEIC (the "Top Up"). The Top Up will enable GIC to achieve the target 17.5% percent ownership stake in ACEN, taking into consideration GIC's expected future dilution, including from the planned infusion of ACEIC's international assets into ACEN. The completion of the purchase by the GIC affiliate of secondary shares from ACEIC is subject to the completion of the infusion by ACEIC of its international assets into ACEN by way of a property for shares swap, and applicable regulatory approvals.

Follow-on Offering (FOO)

On February 4, 2021, ACEN's Executive Committee approved the FOO price range of ₱6.00-₱8.20 per share for up to 2,000.00 million common shares (primary). On February 16, 2021, ACEN submitted a registration statement for up to 2,430,248,617 common shares (primary and secondary shares with over-allotment) with the SEC.

On March 18, 2021, the BOD of ACEN approved the issuance of 1.58 billion primary shares for the FOO. The SEC approval was obtained on April 22, 2021, favorably considering the sale of up to 2,010,248,617 common shares of ACEN at an offer price range of ₱6.00 to ₱8.20 per

share, comprised of (a) a firm offer of 1.58 billion common shares (b) a firm offer of 330,248,617 common shares; and (c) an over-subscription option of up to 100.0 million common shares.

On May 04, 2021, ACEN advances with its FOO after receiving approvals from the PSE and obtaining the permit to sell from the SEC. ACEN has priced its FOO at ₱6.50 per share. This price was determined based on a bookbuilding process which saw significant participation from leading global long-term institutional investors, resulting in multiple times oversubscription. ACEN offered up to 2.01 billion common shares, consisting of 1.58 billion primary shares, 330.24 million secondary shares to be offered by ACEIC and Bulacan Power (the "Selling Shareholders"), and over-subscription option of up to 100.0 million secondary shares. Proceeds of this transaction was at ₱10.27 billion.

Net proceeds from the sale of primary shares will be used by ACEN to partially fund the development of renewable power projects in the pipeline and inorganic growth opportunities if and when they arise, repayment of loans and reduction of payables, and other general corporate requirements. ACEN will not receive any proceeds from the sale of secondary shares by the Selling Shareholders.

The primary shares were listed at the PSE on May 14, 2021. This brought ACEN's total outstanding shares to 21.54 billion, with a market capitalization of over ₱150 billion.

Bulacan Power disposed of 30,248,617 ACEN shares through its participation as seller of secondary shares in ACEN's FOO at ₱6.50 per share. This was recognized previously as treasury shares in the ACEN's consolidated financial statements.

As of September 30, 2021, post these capital raising activities of ACEN – namely SRO transaction, issuance of shares to GIC/Arran and FOO and the infusion of the AC Energy group's international platform into ACEN, ACEIC's effective ownership share in ACEN is at 71.84%. These transactions also resulted in increments in the Group's (both ACEIC and AC) consolidated stockholder's equity accounts as follows: Equity Reserve by ₱9.4 billion and Non-controlling interests by ₱18.3 billion (refer to Section 2 - 2.8 Causes of any material variances of this report).

2. On March 18, 2021, the BOD of ACEN approved, among others, the following matters:
 - a. the issuance of 1.58 billion primary shares for the ACEN's Follow-on Offering;
 - b. the property-for-share swap with ACEIC and the issuance of 16,686 million primary shares to ACEIC in exchange for ACEIC's shares of stock in AC Energy International, Inc. (ACE International), which holds ACEIC's international assets, for an issue price of ₱5.15 per ACEN share;
 - c. the amendment to the Articles of Incorporation to increase the number of shares exempt from the pre-emptive right of shareholders for issuance of shares in exchange for property needed for corporate purposes or in payment of previously contracted debt from 16 billion shares to 24 billion shares.

On April 19, 2021, the above were approved in the annual stockholders' meeting, including the following matters:

- a. Amendment to the Seventh Article of the Articles of Incorporation to increase the authorized capital stock from ₱24.40 billion divided into 24.40 billion shares at par value of ₱1.00 per share, to ₱48.40 billion divided into 48.4 billion shares at par value of ₱1.00 per share; and
- b. Issuance of 4 billion shares to Arran Investment Pte Ltd.
- c. Waiver of the requirement to Conduct a Rights or Public Offering of Shares in relation to the issuance of 16,686 million shares to ACEIC in exchange for ACEIC's International Renewable Energy Assets and Investments.
- d. Stock ownership plan to qualified officers, employees and consultants of the ACEN Group, and to allocate 960 million common shares from the unsubscribed portion of the ACEN's authorized capital stock for the stock ownership plan.

The proposed increase in authorized capital stock is meant to enable the implementation of the assets-for-share swap between ACEN and ACEIC for the latter's international assets, and

provide future capital raising exercises to fund its various greenfield projects and other acquisitions.

The proposed increase in the number of shares that are exempt from the pre-emptive right of existing shareholders is meant to implement the property-for-share swap for the infusion by ACEIC of its international assets into ACEN.

3. On April 27, 2021, ACEN signed a Deed of Assignment with ACEIC for the subscription by ACEIC to, and the issuance to ACEIC of, 16,686 million shares at a subscription price of ₱5.15 per share, or an aggregate subscription price of ₱85,931.87 million in exchange for ACEIC's 1,701 million common shares and 15,030 million redeemable preferred shares in AC Energy International, Inc. (ACE International) (share swap agreement), which holds ACEIC's international renewable assets.

On June 7, 2021, the SEC approved ACEN's increase in authorized capital stock from ₱24.4 billion divided into 24.4 billion shares, to ₱48.4 billion divided into 48.4 billion shares, and the Amended Articles of Incorporation for the increase in authorized capital stock and the increase in number of shares exempt from the preemptive rights of the shareholders for issuance of shares in exchange for property needed for corporate purposes or in payment of previously contracted debt from 16 billion shares to 24 billion shares. The SEC's approval for the increase in authorized capital stock is subject to the conditions set forth in the Guidelines Covering the Use of Properties that Require Ownership as Paid-Up of Corporations adopted by the SEC on 15 November 1994, and as amended on 8 August 2013, per SEC Memorandum Circular No. 14, series of 2013. Consequently, the closing date of the share swap was on June 7, 2021 (see Note 25).

SEC's approval of ACEN's increase in the capital stock resulted in the prior period restatement to account for the retroactive impact of the share swap transaction effective July 1, 2019, the date when ACEN and the Offshore Companies became under the common control of ACEIC, following the pooling of interest accounting policy of the ACEIC Group. In applying the pooling-of-interests method, the assets and liabilities of acquired entities are taken into the merged business at their carrying values with restatement of comparative 2020 figures. Likewise, no goodwill was recognized in the business combination.

The transfer was via a tax-free exchange under Section 40(C)(2) of the 1997 National Internal Revenue Code, as amended ("NIRC"), as amended by Republic Act No. 10963 (TRAIN Law) and Republic Act No. 11534 (CREATE Law), for which a request for ruling is no longer required to be filed with the Bureau of Internal Revenue (BIR) to confirm that the share swap transaction qualifies as a tax-free exchange.

All gains and losses that arose from the share swap transaction were eliminated at the ACEIC consolidated financial statements.

4. On January 22, 2021, ACEN signed a Deed of Absolute Sale of Shares with Solar Philippines Power Project Holdings, Inc. ("SP") for the acquisition by ACEN of SP's 0.24 million common shares in Solar Philippines Central Luzon Corporation ("SPCLC") with a par value of ₱1.00 per share or a total par value of ₱0.24 million.

On the same date, ACEN signed a Subscription Agreement with SPCLC for the subscription by ACEN to 0.38 million common shares with a par value of ₱1.00 per share or a total par value for a total subscription price of ₱0.38 million, to be issued out of the unissued authorized capital stock of SPCLC.

The acquisition will allow ACEN to have a significant ownership interest in SPCLC and is meant to implement the joint venture between ACEN and SP for the development of solar power projects in the Philippines.

SPCLC is a special purpose vehicle for the development and operation of solar power projects.

5. On January 27, 2021, ACE Enexor's (ACEX) Executive Committee approved ACEX's withdrawal from the SC 6 consortium. ACEX holds 7.78% participating interests in SC 6 Block A, located in offshore North Palawan. SC 6 does not have any commercial operations.

6. *Shareholders' Agreement among ACEN, ACE Endeavor, and Citicore Solar Energy Corporation (CSEC)*

On February 4, 2021, ACEN and ACE Endeavor signed a Shareholders' Agreement with CSEC, and Greencore Power Solutions 3, Inc. ("Greencore"), for the development, construction, and operation of a PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac (72MWdc) (the "Project").

The Project is scheduled to start operations in November 2021. Under the Shareholders' Agreement, CSEC will have 50% of the shares in Greencore, the special purpose vehicle of the Project, while ACEN and Endeavor will hold 45% and 5% interest, respectively. ACEN has agreed to provide a term loan facility to Greencore to finance the construction of the Project. The Shareholders and Greencore agreed to execute the necessary loan and security agreement for this purpose.

Subscription by the ACEN to shares of Greencore

On February 4, 2021, ACEN signed a subscription agreement with Greencore for the subscription by ACEN of 2.25 million common shares with a par value of ₱1.00 per share or a total par value of ₱2.25 million to be issued out of the unissued authorized capital stock of Greencore. The subscription will be used by Greencore to partially fund the development and construction of a PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac. ACEN has fully paid the Subscription Price.

Term Loan Facility with Greencore

On February 4, 2021, ACEN and ACE Endeavor signed an Omnibus Agreement with Greencore and CSEC for the financing of Greencore's 50MWac (72MWdc) PV Solar Power Plant in Arayat and Mexico, Pampanga, and associated facilities.

Under the Omnibus Agreement, ACEN will be extending a term loan facility to Greencore in the amount of up to ₱2,675 million to finance the design, engineering, financing, construction, procurement and supply, manufacturing, commissioning, start up, testing, delivery, ownership, operation and maintenance of the power plant, which is expected to be operational in November 2021. The loan will be secured by (1) a real estate mortgage over Greencore's real assets in favor of ACEN, (2) a mortgage and pledge over the shareholding of the shareholders of ACEN, and (3) the cashflows of the project.

7. On March 5, 2021, ACEIC, Power Partners Ltd. Co. (PPLC) and certain of their affiliated companies, signed a Divestment Agreement for the transfer by ACEIC of its indirect ownership interest in GN Power Kauswagan Ltd. Co. (GNPK) in favor of PPLC and its affiliates. The transfer will be implemented in tranches with the purchase price to be paid on a deferred basis.

The transfer of ACEIC's interest in the GNPK Project is part of ACEI's plan 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.

As of September 30, 2021, the following transactions were completed:

1. Redemption of the Kauswagan Power Holding Ltd. Co. (KPHLC) Class A and B limited partnership interests held by ACEIC. KPHLC holds around 86% ownership interest in GNPK.
2. Investment by ACEIC subsidiaries (ACE (BVI) B, Inc., ACE (BVI) D, Inc., ACE (BVI) F, Inc., ACE (BVI) T, Inc., and ACE (BVI) PHILCO Corp.) in GNPK through subscription to KPHLC's Class A and B limited partnership interests.
3. Sale of 100% interest in ACE (BVI) B, Inc. and 11.62% interest in ACE (BVI) PHILCO, Inc. (which owns 100% of ACE (BVI) PHILCO Corp.) to PPLC and affiliates, equivalent to ACEIC's 45% interest in KPHLC (first tranche sale). Pursuant to the Divestment Agreement, with the completion of the first tranche sale, management and operational control over KPHLC and GNPK transferred to PPLC and its affiliates, whereby PPLC and its affiliates, among others, acquired the right to appoint and elect four of the five members

of KPHLC's and GNPK's management committee representatives, and four of the five members of the Board of directors of Kauswagan Power GP Corporation, the sole general partner of GNPK.

The sale is valued at US\$453.24 million (₱23,096.81 million) payable on a deferred basis. The carrying value of ACEIC indirect investment in GNPK was US\$363.65 million (₱18,531.31 million). The transaction resulted in total of ₱3,501.43 million for gain on sale and gain on remeasurement of retained interest which is presented under Other income account in the consolidated statements of income. Receivables from PPLC and affiliates for the 45% interest in KPHLC is recorded at net present value at US\$190.00 million (₱9,638.55 million), while the fair value of the 55% investment amounting to US\$232.22 million (₱11,780.45 million) is presented as part of "Assets held for sale" in the consolidated statements of financial position (see Note 20).

8. On March 12, 2021, AC Energy, together with its partner UPC Solar Asia Pacific, reached financial close for its 100 MW (140 MWp) Sitara Solar Farm in India. Located in Rajasthan, a desert state with the highest irradiation in India, Sitara Solar has an estimated project cost of US\$ 67 million.

The construction of the solar farm started last year, and is expected to start its power generation by year of 2021.

Sitara Solar secured a 20-year loan from the US International Development Finance Corporation (DFC), to be funded through a 75:25 debt-to-equity financing scheme. This is a major milestone for its joint venture company, UPC-AC Energy Solar, as it targets to achieve more than 1 GW of solar energy portfolio across Asia. In March 2019, UPC-AC Energy Solar won the power supply agreement for the 100 MW solar project via a competitive bid at INR 2.48 per kWh, fixed over a 25-year period.

Sitara Solar will supply energy to the government-owned Solar Energy Corporation of India (SECI), which facilitates the purchase and resale of electricity of solar projects to the benefit of the distribution companies across various states. SECI received a credit rating of AA+ from ICRA Limited on January 2021.

9. On March 8, 2021, ACEN signed a subscription agreement with wholly-owned subsidiary Giga Ace 4, Inc. ("Giga Ace 4") for the subscription by ACEN to (a) 43,975,374 Common A Shares at the subscription price of ₱219.88 million; and (b) 395,958,366 Redeemable Preferred A Shares ("RPS A") at the subscription price of ₱1,979.79 million; or a total Subscription Price of ₱2,199.67 million, to be issued out of the increase in authorized capital stock of Giga Ace 4.
10. On March 18, 2021, the BOD of ACEN approved the declaration of cash dividends of six centavos (₱0.06) per share on the 19.960 billion shares issued and outstanding shares of ACEN, or a total dividend amount of ₱1,197.6 million, paid on April 19, 2021 to the shareholders of record as of April 5, 2021.
11. On May 20, 2021, ACEN signed a subscription agreement with Pagudpud Wind Power Corp. (PWPC) for the subscription by ACEN of 3,033,255 Common Shares and 27,299,298 Class A Redeemable Preferred Shares ("RPS A") of PWPC.

The subscription will be used by PWPC to subscribe to shares in Bayog Wind Power Corp. (BWPC), which will be used by BWPC to fund initial works to start the construction of the Balaoi and Caunayan Wind Power Project in Barangays Balaoi and Caunayan, Pagudpud, Ilocos Norte.

As at September 30, 2021, ₱2,937.2 million was paid by ACEN.

12. On June 9, 2021, ACEN's Executive Committee approved the conversion of ACEN's advances to One Subic Power amounting to ₱680 million, into equity, of which, is equivalent to 33,493,366 common shares subscription in One Subic Power.

13. On June 16, 2021, ACEN signed a subscription agreement with wholly-owned subsidiary Buendia Christiana Holdings Corp. (BCHC) for the subscription by ACEN of: (a) 75,000,000 Redeemable Preferred A Shares ("RPS A") with a par value of ₱0.10 per share, and (b) 4,075,000 Redeemable Preferred B Shares ("RPS B") with a par value of ₱100.00 per share, for a total par value of ₱415,000,000 (the "Subscription Price"), to be issued out of the increase in authorized capital stock of BCHC, subject to the necessary regulatory approvals from the SEC.
14. On June 25, 2021, ACEN signed an Omnibus Loan and Security Agreement with Provincia Investments Corporation (the "Borrower") and Solar Philippines Power Project Holdings, Inc., (the "Sponsor") for the financing of the various acquisition of project sites for solar power projects.

Under the Agreement, ACEN, as Lender, will be extending a term loan facility to the Borrower in the amount of up to ₱1 billion. The loan will be secured by (1) a real estate mortgage over the Borrower's and third-party mortgagors' title to, or rights and interests over, real assets in favor of ACEN, and (2) a mortgage and pledge over the shareholding of the Sponsor in one of its fully-owned subsidiaries.

As at September 30, 2021, PIC has drawn ₱150.00 million from the facility.

15. On August 4, 2021, the ACEN Board approved the 250 MWdc Gigasol San Marcelino Solar Project. The Gigasol San Marcelino Solar Energy Power Plant will be located in Brgy. Santa Fe, San Marcelino, Zambales. Phase 1 of the project is for approximately 250MWdc, with a projected annual power generation of over approximately 350GWh.

ACEN targets to issue full notice to proceed with the project within the year.

16. On August 5, 2021, the PSE announced that ACEN would be included in the PSE Index effective August 16, 2021. This is a result of the PSE's regular review of the PSE Index and sector indices covering trading activity for the period July 2020 to June 2021. Companies that qualify for inclusion in the PSEi are those with a free float level of at least 15%, rank among the top 25% by median daily value per month for at least nine out of 12 months, and rank among the highest in market capitalization. On August 5, 2021, the PSE revised its policy on index management, including the increase in free float level to 20% from the current 15%. The new free float level is expected to be implemented for the December 2022 index review.
17. On August 20, 2021, ACEN's Executive Committee approved the sale of Power Barge (PB) 101 to Prime Strategic Holdings Inc. or its designated affiliate or subsidiary, and PB 102 and PB 103 to SPC Power Corporation or its designated affiliate or subsidiary (see Note 20).

ALI

1. On January 5, 2021, AREIT, Inc. (AREIT), purchased 9.8 hectares of land owned by TLI, in Laguna Technopark through a deed of sale for ₱1.1 billion, VAT-inclusive. The purchase is payable in cash upon execution of the deed of sale and on January 21, 2021. The land is composed of four (4) parcels which is being leased by IMI for its manufacturing operations for the next seven years from January 1, 2021 until December 31, 2027 with annual escalation rate of 5%.
2. On January 15, 2021, ALI entered into a Deed of Sale with AREIT for the sale of The 30th Commercial Development for ₱5.1 billion (VAT inclusive). Located along Meralco Avenue in Pasig City, it is a building with a total gross leasable area (GLA) of 75 thousand square meters (sqm) composed of an office tower and a retail podium.
3. On February 23, 2021, the ALI BOD approved the following:
 - a. The merger of ALI and its listed subsidiary, Cebu Holdings, Inc. (CHI) as well as its other subsidiaries, Asian I-Office Properties, Inc. (AiO), Arca South Commercial Ventures Corp. (ASCVC) and Central Block Developers Inc. (CBDI) (collectively the "Constituent Corporations"), with ALI, as the surviving entity. The plan of merger was approved by the stockholders during their annual meeting on April 21, 2021.

CHI is 71.1% subsidiary of ALI. ASCVC is ALI's wholly owned subsidiary, while AiO is a wholly owned subsidiary of CHI, and CBDI is 55% owned by CHI and 45% owned by ALI. The merger is an internal restructuring as well as a consolidation of the ALI Group's Cebu portfolio under one listed entity. The merger is expected to result in operational synergies, efficient funds management and simplified reporting to government agencies.

On April 29, 2021, an application for the approval of the merger was filed by the Constituent Corporations with the SEC.

- b. The amendment of ESOWN Plan to increase the share allocation for ESOWN grants from 2.5% to 3% of our authorized capital stock. This was likewise presented and approved by the stockholders during their annual meeting on April 21, 2021.
 - c. The filing with the SEC of a new 3-year shelf registration of up to ₱50 billion of debt securities.
 - d. The raising of up to ₱41 billion through the issuance of retail bonds and/or corporate notes for listing on the PDEX, and/or bilateral term loans for the purpose of refinancing outstanding loans and to partially finance our general corporate requirements.
 - e. The declaration of cash dividends of ₱0.136 per outstanding common share paid on March 25, 2021 to stockholders of common shares as of record date March 10, 2021. This reflects a 49% decrease from the cash dividends declared in the first half of 2020 amounting to ₱0.268 per share.
4. On February 26, 2021, White Knight Holdings, Inc. (White Knight), a wholly-owned subsidiary of ALI, completed the sale of its 39.20% share in the outstanding capital stock of MGHl to Healthway Philippines, Inc. (Healthway) (see discussion in AC Health below and Note 10).
 5. On March 15, 2021, the Executive Committee of ALI approved the infusion of its identified key commercial properties into AREIT, Inc. (AREIT) valued at ₱15,464.14 million under a property-for-share swap transaction wherein ALI will subscribe to 483,254,375 primary common shares of AREIT at a price of ₱32.00 per share, as validated by a third-party fairness opinion, subject to the approval of pertinent regulatory bodies.

On April 30, 2021, ALI sold 44,000,000 shares of AREIT at a transaction price of ₱32.00 per share, equivalent to ₱1.408 billion (exclusive of fees and taxes). ALI's net equity reserve from the sale of AREIT shares aggregated to ₱0.94 billion out of the ₱1.38 billion net proceeds. This transaction was executed in relation to the property-for-share swap between ALI, and its subsidiaries, Westview Commercial Ventures Corp (Westview), and Glensworth Development, Inc. (Glensworth), and AREIT. As a result, ALI's percentage ownership in AREIT was reduced to 50.14% from 54.43%. ALI submitted a Reinvestment Plan detailing the use of proceeds obtained from the share sale transaction. Pursuant to the Placement Agreement between the aforementioned parties, proceeds from the block sale was settled on May 5, 2021.

On June 8, 2021, ALI and its subsidiaries, Westview and Glensworth, executed the Deed of Exchange with AREIT on the property-for-share swap transaction. Following the execution of the Deed of Exchange, the involved parties will submit the application for the increase in authorized capital stock, and the property-for-share swap, specifically the request for confirmation of valuation, and exemption from registration to the SEC. Once approved, the parties shall apply for the Certificate Authorizing Registration with the BIR, and the listing of the additional shares with the Philippine Stock Exchange, within the year (see Note 25).

On June 25, 2021, ALI submitted an amendment to the Reinvestment Plan (Plan) for the proceeds of AREIT, Inc.'s initial public offering. From the original plan of 16 projects, the revised Plan now covers 31 income-generating projects.

Disbursements to 11 of the original projects were reduced by ₱6.8 billion due to changes in development schedules as a result of market conditions. The amount will now instead be disbursed to 17 new identified projects.

6. On March 19, 2021, AyalaLand Logistics Holdings, Corp. (ALLHC) purchased 5% equity interest owned by Mitsubishi Corporation in Laguna Technopark, Inc. (LTI), equivalent to 2,013 common shares, with a total value of ₱200 million. As a result, ALI's effective ownership in LTI has increased to 71% from 68%.
7. On various dates of April 2021, ALI purchased a total of 30.0 million common shares at an average price of ₱32.94/share for a total consideration of ₱988.0 million pursuant to its share buyback program.
8. On May 3, 2021, 156 ESOWN grantees subscribed to a total of 11,389,265 common shares at ₱33.29 per share with the subscriptions becoming effective on the same day. The option price is the average price of common shares at the PSE over the last five trading days as of February 22, 2021, less a 15% discount. As a result of the subscriptions, ALI outstanding common shares increased to 14,711,784,864.
9. On May 27, 2021, the ALI's BOD approved the declaration of cash dividends of ₱0.00474786 per outstanding preferred share. The cash dividend was paid on June 25, 2021 to stockholders of preferred shares as of record date June 10, 2021.
10. The fair value of ALI shares held by the Parent Company amounted to ₱228.6 billion and ₱267.7 billion as of September 30, 2021 (unaudited) and December 31, 2020 (audited), respectively. The voting rights held by the Parent Company in ALI is 68.4% and 67.3% as of September 30, 2021 (unaudited) and December 31, 2020 (audited).

AC Health

1. AC Health, through its wholly owned subsidiary Healthway, has executed agreements to acquire 66.2% economic interest in Mercado General Hospital, Inc. (MGHI), the holding company of Qualimed healthcare network of hospitals and clinics through:
 - a. purchase of 28,125,782 common shares and 330,607 preferred shares from White Knight, equivalent to 39.2% of the outstanding capital stock of MGHI; and
 - b. purchase of 10,887,842 common shares from certain individuals (collectively, Mercado Group), which is equivalent to 15.0% of the outstanding capital stock of MGHI.

Furthermore, Healthway will subscribe to 38,250,000 cumulative, redeemable, and non-participating preferred shares from MGHI which will bring up Healthway's voting interest in MGHI to 70.01%.

In February 2021, the sale by White Knight to Healthway was completed. The sale allowed ALI to redeploy capital and focus on its core businesses and provided AC Health with a network of general hospitals (see discussion on ALI above).

As of September 30, 2021, post-sale of White Knight and Mercado Group, Healthway has 68.64% economic interests in MGHI.

The transactions mentioned above resulted to fair value of corresponding net assets in the amount of ₱1.6 billion which was paid by Healthway as of June 26, 2021.

The purchase price allocation has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation which includes information necessary for the valuation of other intangible assets, if any. The provisional goodwill is subject to reasonable changes, if any, as additional information becomes available and the purchase price allocation has been finalized.

The updated provisional values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows: total assets of ₱3.17 billion, total liabilities of ₱3.47 billion, deferred tax liability of ₱0.4 billion, trademark of ₱1.40 billion and goodwill of ₱0.7 billion.

From the date of acquisition, Healthway's share in MGHI's revenue and net income amounted to ₱1.93 billion and ₱0.2 billion, respectively.

The transaction is treated as a normal business combination at AC Health level but accounted as a step-up acquisition at AC group's consolidated financials' perspective. As such, considering the foregoing series of transactions and certain assumptions, the Group's fair value of previously held interest on MGHl amounted to ₱1.0 billion. The gain on remeasurement of previously held interest amounted to ₱809.0 million and was presented as part of Other Income under the consolidated income statement for the period September 30, 2021.

2. In February 2021, AC subscribed to 329,640,000 preferred shares to be issued out of the increase in the authorized capital stock with a subscription price of ₱5 per share or an aggregate subscription price of ₱1,648.2 million upon approval of SEC for the increase in the AC Health's authorized capital stock. The receipt of subscription is intended to fund the acquisition of MGHl.
3. In August 2021, AC subscribed to 91,600,000 preferred shares with a subscription price of ₱5 per share or an aggregate subscription price of ₱458.0 million. A total of 68,005,829 shares are to be issued out of the existing authorized capital stock and the remainder are to be issued out of the increase in the authorized capital stock upon the approval of SEC. The receipt of subscription is intended to fund the building construction costs, equipment purchases, professional fees, working capital requirement and stock issuance costs of Zodiac Health Ventures, Inc., the cancer hospital of the Ayala Group.

AC Infra

1. On January 13 and August 27, 2021, the Parent Company infused ₱490.0 million for 490.0 million RPS and ₱311.8 million for 311.8 million deposit for RPS to AC Infra, respectively.

On January 14 and September 1, 2021, AC Infra infused ₱490.0 million and ₱311.8 million to LRMC through LRMHI for 400.9 million additional common shares.

2. On August 6, 2021, the Parent Company made a capital infusion of ₱900.0 million for 900.0 million RPS to AC Infra.

On the same date, AC Infra infused ₱900.0 million to Entrego. In relation to this capital infusion to Entrego, AC Infra, AMSI, Inc., BPI Capital Corporation, Kickstart Ventures, Inc., Brilliant 1257 GMBH & Co. Vierte Verwaltungs Kg (Brillant), and Entrego executed a funding agreement dated July 23, 2021 which contained, among others, the agreement between the parties to adjust the committed equity interest upon AC Infra's infusion of the ₱900.0 million. From 54.30%, 40%, 1.9%, 1.9% and 1.9% equity interests of AC Infra, Brilliant, AMSI, Inc., BPI Capital, and Kickstart Ventures, Inc., respectively to 77.15%, 20%, 0.95%, 0.95%, and 0.95% equity interests of AC Infra, Brilliant, AMSI, Inc., BPI Capital, and Kickstart Ventures, Inc., respectively.

In relation to the August 6, 2021 capital infusion into ELC, AC Infra, Brilliant and ELC executed a funding agreement dated July 23, 2021 which contained, among others, the agreement between the parties to adjust the committed equity interest upon AC Infra's infusion of the ₱11.50M. From 60% and 40% equity interests of AC Infra and Brilliant, respectively, to 80% and 20% equity interests of AC Infra and Brilliant, respectively.

3. On January 12, 2018, LRMC entered into an agreement with Voith Digital Solutions Austria GmbH and Co KG for the rehabilitation and upgrade of propulsion, train control and management systems of the LRT-1 generation 2 (Adtranz) trains. On May 3, 2021, the re-engineering project was completed.
4. As of September 30, 2021, the necessary system updates to the MCX Toll Collection System, for it to accept Autosweep RFID tags with Easytrip enrolled accounts, were completed. MCX is awaiting for the full implementation of these changes in toll collection. In relation to this, MCX is also requesting from Department of Public Works and Highways (DPWH) the approval of the Variation Order proposal submitted last January 30, 2019 and as of September 30, 2021, discussions and coordination with the DPWH is ongoing.

As of September 30, 2021, MCX is yet to receive the instructions from DPWH and TRB for the succeeding phases of the Toll Collection Interoperability project.

AC Logistics

On August 27, 2021, the Parent Company made a capital infusion of ₱6.5 million to AC Logistics, which will serve as the vehicle for expanding AC's logistics portfolio. On September 6, 2021, the SEC approved the articles of incorporation and by-laws of AC Logistics. Its authorized capital stock amounted to ₱2.2 billion, divided into 2.2 billion common shares with par value of ₱1.00 per share.

IMI

1. In March 2021, IMI International (Singapore) Pte. Ltd. (IMI Singapore) declared dividends on the redeemable cumulative preferred stocks (RCPS) to AC Industrials (Singapore) Pte, Ltd. (ACI Singapore) amounting to \$1.52 million.

In August 2021, the IMI Board approved the full redemption of the outstanding RCPS amounting to \$70.0 million and paid the dividends that have accrued as of redemption date amounting to \$2.15 million.

2. On May 21, 2021, VIA Optronics GmbH ("VIA") announced the acquisition of Germaneers GmbH ("Germaneers"), a high-tech engineering company focusing on automotive system integration and user interfaces. Germaneers has provided solutions for a range of well-known high-end original equipment manufacturers (OEMs).
3. The fair value of the IMI shares held by the Group amounted to ₱8.7 billion and ₱10.5 billion as of September 30, 2021 (unaudited) and December 31, 2020 (audited), respectively. The voting rights held by the Group in IMI is 52.1% as of September 30, 2021 (unaudited) and December 31, 2020 (audited).

MWC

1. On February 15, 2021, MWC and Prime Strategic Holdings, Inc. (previously Prime Metroline Holdings, Inc.) signed an Amendment to the Subscription Agreement which both parties entered into last February 1, 2020. The amendment covers the inclusion of Trident Water Company Holdings, Inc. (Trident Water) as party to the Subscription Agreement following its establishment, as well as the updated payment terms which is 50.0% upon Closing and 50.0% upon call of MWC's BOD.

On the same date, Philwater and Trident Water executed a Share Purchase Agreement wherein Philwater agreed to sell 2,691,268,205 of its preferred shares in MWC to Trident Water with a payment term over a five (5)-year period. The purchase of the preferred shares reflects a 39.09% voting stake and 8.19% economic stake in MWC. The purchase price for the preferred shares was set at ₱1.80 per share, resulting in a total purchase price of over ₱4.8 billion. The rights and title to the shares, except voting rights covered by the proxies, which shall be executed upon the execution of the Shareholders' Agreement, shall not be transferred until all payments are made. Dividends earned by the preferred shares shall continue to be for the account of Philwater until full payment has been made.

The total consideration of ₱4,844 million for the preferred shares shall be collected as follows: ₱100 million downpayment paid on February 2021; ₱2,372 million on or before February 2025; and ₱2,372 million on or before February 2026. These amounts, less the downpayment, formed part of the consolidated accounts receivables as of September 30, 2021 (see Note 6).

MWC has not issued, and Trident Water has not subscribed, the 820 million common shares subject of the Subscription Agreement pending the completion of the following conditions to closing:

- a. Execution of the Shareholders' Agreement by Ayala, Philwater, and Trident Water, and
- b. Compliance with and completion of the mandatory tender offer by Trident Water to the shareholders of MWC as may be required by the SEC.

On April 8, 2021, MWC received the Tender Offer Report from Trident Water to acquire up to 1,118,253,916 common shares of MWC through a tender offer to all shareholders. Said tender offer does not include the 866,996,201 common shares held by Ayala Corporation and its nominees and the 4.0 billion preferred shares held by Philwater and its nominees.

On May 31, 2021, a total of 462,660 common shares of MWC were tendered, accepted and purchased by Trident Water via block sale through the facilities of the Philippine Stock Exchange.

On June 3, 2021, Ayala, together with its wholly-owned subsidiaries, Philwater and ACEIC, and Trident Water executed a Shareholders' Agreement as part of the closing actions for the latter's subscription to common shares in MWC. Additionally, Philwater executed and delivered a proxy in favor of Trident Water for Philwater's 2,691,268,205 preferred shares in MWC (the "Preferred Shares"). Following the completion of the tender offer and execution of the Shareholders' Agreement, Trident Water now owns 870,462,660 common shares of MWC and has voting rights over the 2,691,268,205 preferred shares to be acquired by Trident Water. In addition, Prime Strategic Holdings, Inc. also owns 29,589,500 common shares of MWC. On June 24, 2021, Trident Water acquired 29,589,500 shares of MWC from Prime Strategic Holdings, Inc., having a total now of 900,052,159 shares of MWC (see Note 20).

On June 3, 2021, MWC disclosed the changes in the MWC's Board of Directors (BOD) and Management following the completion of the Tender Offer and its issuance of the 820 million shares to Trident Water. Specifically, Mr. Enrique K. Razon, Jr. was elected as MWC's Chairman of the BOD and President and CEO. Furthermore, the following directors were elected to MWC's BOD: (1) Mr. Donato C. Almeda, (2) Mr. Rafael D. Consing, Jr. and (3) Mr. Christian Martin R. Gonzalez, while Atty. Silverio Benny J. Tan was appointed as new Corporate Secretary of MWC. New members of Senior Leadership were likewise introduced, namely: (1) Mr. Donato C. Almeda, Chief Regulatory Officer; (2) Mr. Roberto R. Locsin, Chief Administrative Officer; and (3) Mr. Melvin John M. Tan, COO for Non-East Zone and International Business.

As of September 30, 2021, Trident Water's voting and economic interests in MWC were at 52.16% and 27.40%, respectively.

As of September 30, 2021, Ayala's voting interest and combined direct and indirect economic interest in MWC is now 31.6% and 38.6%, respectively.

As a result of the foregoing, AC lost control over MWC and recognized the investment from Investment in a Subsidiary to an Investment in Associate (see Note 10). MWC accounts have been classified in the Ayala's consolidated financial statement as of September 30, 2021 as follows:

- a. Balance sheet accounts, which have been presented as assets and liabilities under PFRS 5 as of December 31, 2020, were de-consolidated.
- b. AC's remaining interest in MWC forms part of the Investment in Associates and Joint Ventures" account.
- c. Income statement accounts for the period January 1 to June 3, 2021, continued to be presented as "operations of the segment under PFRS 5" (see Note 20).
- d. AC's share in operating results for the period of June to September 2021 has been reported as part of the "Share of Profit of Associates and Joint Venture" line.

The purchase price allocation (PPA) for the remaining interest in MWC 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 certain assets and liabilities. Reasonable changes are expected as additional information becomes available. The accounts that are subject to provisional accounting are service concession assets and obligations, property, plant and equipment, and other current and noncurrent assets and liabilities. The Parent Company has one year from June 3, 2021 to finalize this preliminary PPA.

2. On January 14, 2021, the consortium of Manila Water Philippine Ventures, Inc. (MWPVI) and Tubig Pilipinas Group, Inc. (TPGI) has signed and executed a Joint Venture Agreement (JVA) with the San Jose City Water District (SJCWD) for the design, construction, improvement, upgrade, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply system and the provision of water and sanitation services of SJCWD in San Jose City, Nueva Ecija.

On July 21, 2021, San Jose City (N.E.) Water Company, Inc. (San Jose Water) was incorporated which shall accede to the JVA and assume all the rights, responsibilities, and obligations of the consortium upon signing of the Accession Agreement between San Jose Water, the consortium of the Parent Company, MWPVI, and TPGI, and SJCWD.

3. On June 16, 2016, the DENR promulgated DENR Administrative Order (DAO) No. 2016-08 regulating the discharge of nutrients and imposing additional limits and parameters. Pursuant to Section 10 of DAO No. 2016-08, Clark Water sought the approval of the DENR of its Compliance Action Plan (CAP) which would have extended the current five (5)-year CAP of Clark Water. On July 17, 2020, Clark Water received the approval of DENR on its submitted CAP with project completion deadline of December 31, 2021. On October 19, 2020, the CDC sent a letter to the DENR in support of Clark Water's request for extension of its CAP to 2023. On November 11, 2020, however, the CDC received a letter from the DENR denying Clark Water's request citing the DAO No. 2016-08's clear five (5)-year limit for the grace period. On November 26, 2020, CDC sent another letter to the DENR appealing to the DENR for reconsideration of their request to postpone the DAO No. 2016-08. On December 7, 2020, the DENR sent a letter to the CDC, denying their request for the second time.

On January 29, 2021, Clark Water received a show cause order from the Environmental Management Bureau requiring Clark Water to justify why it should not be penalized for not being able to commence construction last January 15, 2021.

Clark Water has not yet started the implementation of projects to comply with the CAP and DAO No. 2016-08 as Clark Water has not obtained (1) CDC's necessary approval of the Extraordinary Tariff Adjustment in relation to the projects, and (2) CDC's issuance of construction-related permits to the contractor for the Bionutrient Removal (BNR)-related projects. Non-compliance to the CAP and DAO No. 2016-08 may result to possible fines and penalties as indicated under Section 28 of RA No. 9275.

As a result, DENR held in abeyance the renewal of Clark Water's discharge permit pending its compliance with the CAP and even though Clark Water is compliant with DAO No. 1990-35, the currently applicable regulation. While Clark Water was prepared to comply with the CAP, Clark Water awaited for the Notice to Proceed from CDC.

On April 20, 2021, Clark Development Corporation (CDC) issued the Notice to Proceed to Clark Water. With the issuance of the Notice to Proceed, Clark Water's contractor was already able to mobilize preliminary works for the wastewater treatment facility. In line with the issuance of the Notice to Proceed, the DENR issued a temporary discharge permit on April 26, 2021.

As of June 30, 2021, the BNR facility is 25% complete and is on track based on schedule. On June 30, 2021, the DENR Environmental Management Bureau revised DAO 2021-19. The revised DAO reduced the parameters for ammonia, phosphate and nitrate levels on the wastewater discharge. Clark Water is currently evaluating the impact of the revised DAO on the BNR spending.

On July 16, 2021, Clark Water submitted its Unit Price Analysis (UPA), which is the last requirement of CDC in the review of Extraordinary Tariff Adjustment (ETA). However, CDC withheld the decision on ETA and building permit due to DAO 2021-19. In August 2021, construction was put on hold.

In September 2021, Clark Water applied for renewal of its discharge permit with EMB which is due to expire on October 31, 2021. On October 25, 2021, EMB released an endorsement to the Pollution and Adjudication Board recommending renewal the discharge permit on the conditions that (a) Clark Water's effluent will pass the DAO 2021-19 standards and (b) Clark Water can show compliance in the CAP. To facilitate the continuation of construction, CDC issued a building permit for the Oil and Grease removal components of the project on October 29, 2021. Construction resumed on November 4, 2021 for the interim components. However, EMB has yet to release the discharge permit pending the re-sampling on the effluent of Clark Water.

As of September 30, 2021, the BNR facility is 67% complete.

4. On March 31, 2021, MWC and Metropolitan Waterworks and Sewerage System (MWSS) executed a Revised Concession Agreement (CA) covering the operation of the waterworks and sewerage services in the Service Area East of the MWSS. The Revised Concession Agreement adopts several key features of the New Clark City Joint Venture Agreement (NCC-JVA) Framework, while at the same time retains important aspects of the original Concession Agreement such as the Rate Rebasing mechanism, as well as the confirmation of the concession period duration to be until July 31, 2037 (see Notes 13 and 20).
5. On December 3, 2020, the Consortium of Saur SAS, Miahona Company, and MWC signed a Management, Operation, and Maintenance Contract (MOMC) with the National Water Company (NWC), Kingdom of Saudi Arabia for the latter's North West Cluster. The MOMC will comprise the management, operations, and maintenance of the water and wastewater facilities of the North West Cluster (Madinah and Tabuk) over a seven (7)-year contract period, which will entail the implementation of enabling projects and deployment of key personnel to manage the cluster and achieve the key performance indicators target set by the NWC.

On April 1, 2021, the implementation of the MOMC officially commenced. The implementation of the MOMC will be done through the Consortium's Project Company, International Water Partners Company (IWP), a mixed capital limited liability company incorporated under the laws of the Kingdom of Saudi Arabia by Saur Saudi Arabia Ltd., Miahona Company and Manila Water Asia Pacific Pte. Ltd with equity shareholdings of 40%, 40% and 20%, respectively (see Note 25).

The MOMC aims to improve water and wastewater services, operational performance and the level of operations in the distribution sector of the Kingdom in general, and at the North Western Cluster in particular, as well as training and developing of personnel to improve performance, sustainability and quality of service.

On June 15, 2021, MWAP subscribed to 100 shares of IWP representing 20.00% for SAR0.10 million (P1.28 million).

6. On March 22, 2021, the Consortium of MWC and MWPVI accepted the decision of Balagtas Water District (BWD) to revoke and terminate the Notice of Award.

On March 24, 2021, the Notice of Award was terminated due to the non-completion by BWD of a financial condition precedent agreed upon by the parties at the time of the issuance of the Notice of Award. With this and despite the best efforts of both parties, the joint venture between the Consortium and the BWD will no longer proceed.

7. Effective April 1, 2021, water rates for the customers of the Parent Company will have a Foreign Currency Differential Adjustment (FCDA) of P0.24 per cubic meter. This adjustment is based on the exchange rates of USD1: P48.064 and JPY1: P0.463. The FCDA component is equivalent to 0.84% of the 2021 Average Basic Charge of P28.52 per cubic meter.
8. On September 28, 2021, the Senate approved on its third and final reading the proposed measures seeking to grant MWC and Maynilad twenty five (25)-year franchises each.

House Bill (HB) No. 9422 and 9423, for Maynilad and MWC, respectively, received unanimous approval from the chamber, allowing the concessionaires to establish, operate and maintain a waterworks system, and sewerage and sanitation services in their franchise areas, including the right to bill and collect fees from consumers. The HBs were previously approved by the House of Representatives on August 3, 2021.

9. On September 30, 2021, the Consortium of MWC and MWPVI received a Notice of Award from Provincial Government of Pangasinan (PGP) for the implementation of a joint venture project for the provision of bulk water to the Province of Pangasinan.

Upon completion of conditions precedent, both parties shall sign a concession agreement to implement the project that has an estimated capital expenditure program of P8.00 billion over the twenty five (25)-year contract period.

AC Industrial

1. On January 5, 2021, AC Industrial sold 250 common shares (including the shares assigned to nominee directors) of Merlin Solar Technologies (Philippines) Inc., to Merlin Solar Technologies, Inc. for ₱100 peso per share or total purchase price of ₱25,000.
2. On September 6, 2021, the Parent Company made a capital infusion of ₱397.0 million equivalent to 397,000 redeemable preferred shares of AC Industrial to fund its automotive group's working capital and holding company's operating expenses.
3. On September 10, 2021, the Parent company (Ayala) clarified the news article entitled "AC Motors eyes ₱50-billion in annual revenue by 2025" posted in manilastandard.net on September 9, 2021. It was reported in part that, AC Motors Automotive Group, a wholly-owned subsidiary of Ayala Group under AC Industrials, plans to expand its annual revenue to ₱50 billion by 2025, with a net revenue projection of ₱1.3 billion, as it aims to become a pioneer in energy vehicles in the Philippines. The Parent Company clarified that the ₱1.3 billion figure cited as net revenue projection in the article should instead pertain to net income and confirmed the rest of the statements in the article.

AAC

In March and June 2021, the Parent Company made additional investments in AAC's common shares amounting to ₱50.0 million and ₱35.0 million, respectively to fund its various expenditures.

AYCFL

On April 23, 2021, AYCFL redeemed in full 26.2 million redeemable preferred shares registered in the name of AC Renewables International PTE Ltd. (ACRI), a subsidiary of ACEIC, with a par value of US\$10 per share for a total consideration of US\$262.2 million. AYCFL remained a wholly owned subsidiary of the Parent Company after the transaction.

TLI

On January 5, 2021, AREIT, Inc. (AREIT), purchased 9.8 hectares of land owned by TLI, in Laguna Technopark through a deed of sale for ₱1.1 billion, VAT-inclusive. The purchase is payable in cash upon execution of the deed of sale and on January 21, 2021. The land is composed of four (4) parcels which is being leased by IMI for its manufacturing operations for the next seven years from January 1, 2021 until December 31, 2027 with annual escalation rate of 5%.

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 and consolidation adjustments.

	September 2021 (Unaudited)	December 2020 (Audited)	
	(In Millions)		
Ayala Land, Inc. and Subsidiaries			
Current assets	₱ 328,510	₱ 324,271	
Non-current assets	408,845	397,223	
Current liabilities	225,002	199,729	
Non-current liabilities	242,162	261,586	
Equity			
Attributable to owners of the parent	230,737	222,540	
Attributable to non-controlling interest	39,454	37,639	
Revenue	70,878	62,464	*
Net income			
Attributable to owners of the parent	8,589	6,367	*
Attributable to non-controlling interest	1,925	1,145	*
Other comprehensive income	393	(1,470)	*

Integrated Microelectronics, Inc. and Subsidiaries				
Current assets	US\$	742	US\$	734
Non-current assets		377		400
Current liabilities		451		477
Non-current liabilities		188		76
Equity				
Attributable to owners of the parent		424		448
Attributable to non-controlling interest		56		133
Deposit for future subscription		-		-
Revenue		973		789 *
Net income				
Attributable to owners of the parent		(5)		(12) *
Attributable to non-controlling interest		(7)		(2) *
Other comprehensive income		(15)		(11) *
AC Energy and Infrastructure Corporation and Subsidiaries¹				
Current assets	₱	103,347	₱	120,521
Non-current assets		135,118		95,443
Current liabilities		19,337		43,294
Non-current liabilities		105,263		81,823
Equity				
Attributable to owners of the parent		77,095		70,653
Attributable to non-controlling interest		36,770		20,193
Revenue		36,363		26,730 *
Net income				
Attributable to owners of the parent		8,558		5,605 *
Attributable to non-controlling interest		1,122		1,363 *
Other comprehensive income		614		(110) *

* Based on unaudited September 30, 2020.

¹ (formerly AC Energy, Inc.) (AC Energy/ ACEI)

As of September 30, 2021 (unaudited), the proportion of economic ownership held by material non-controlling interest of ALI and IMI are 53.6% and 47.9%, respectively, while the voting rights held are 31.7% and 47.9%, respectively.

4. Cash and Cash Equivalents

This account consists of the following:

	September 2021 (Unaudited)	December 2020 (Audited)
(In Thousands)		
Cash on hand and in banks	₱ 76,254,579	₱ 48,674,560
Cash equivalents	48,621,318	39,979,396
	₱ 124,875,897	₱ 88,653,956

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 ₱46.8 billion and ₱14.8 billion, as of September 30, 2021 (unaudited) and December 31, 2020 (audited), respectively (see Note 23).

5. Short-term Investments

This account consists of the following:

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Money market placements	₱ 1,045,857	₱ 822,410

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 ₱563.2 million and ₱449.6 million, as of September 30, 2021 (unaudited) and December 31, 2020 (audited), respectively (see Note 23).

6. Accounts and Notes Receivable

This account consists of the following:

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Trade:		
Real estate and hotels	₱123,275,855	₱ 123,805,518
Industrial Technologies	13,890,309	13,351,269
Automotive, Outsourcing and others	6,014,812	4,284,413
Power	5,182,061	6,318,019
Receivable from related parties (Note 23)	40,841,077	20,113,339
Advances to other companies	38,269,446	26,559,594
Receivable from officers and employees (Note 23)	1,396,371	1,434,231
Dividend receivable (Note 23)	20,000	-
Others (Note 23)	4,909,456	1,787,494
	233,799,387	197,653,877
Less allowance for expected credit losses	3,479,287	3,177,458
	230,320,100	194,476,419
Less noncurrent portion	90,466,911	57,382,232
	₱139,853,189	₱ 137,094,187

The aging analysis of accounts and notes receivables that are past due but not impaired as of September 30, 2021 (unaudited) and December 31, 2020 (audited) follows:

	Neither Past Due Nor Impaired	Past Due But Not Impaired						Individually Impaired	TOTAL
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Sub- Total		
in Millions									
September 30, 2021 (Unaudited)									
Trade:									
Real estate and hotels	P 102,415	P 8,839	P1,420	P1,874	P1,456	P 5,403	P18,992	P1,869	P123,276
Industrial Technologies	11,386	1,436	498	131	70	306	2,441	63	13,890
Automotive, Outsourcing and others	3,322	800	433	221	244	897	2,595	99	6,016
Power	5,182	-	-	-	-	-	-	-	5,182
Receivable from related parties	40,365	52	41	60	20	293	466	10	40,841
Advances to other companies	31,757	303	35	40	219	5,564	6,161	350	38,269
Receivable from officers and employees	860	98	77	6	2	352	535	1	1,396
Dividend receivable	20	-	-	-	-	-	-	-	20
Others	4,848	1	1	-	-	19	21	40	4,909
TOTAL	P 200,155	P11,529	P2,505	P2,332	P2,011	P12,834	P31,211	P2,432	P233,799
December 31, 2020 (Audited)									
TOTAL	P 162,458	P11,298	P3,348	P2,852	P1,472	P13,393	P32,362	P2,834	P197,654

The classes of trade receivables of the Group follow:

Real estate and hotels

Real estate receivables consist of:

- Residential, commercial 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.
- 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

Residential, commercial 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 5.8% to 16.0%. 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.

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

In 2020, ALI Group provided reliefs under Bayanihan 1 Act and Bayanihan 2 Act, which offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the restructuring of existing receivables including extension of payment terms. Based on ALI Group's assessment, the modifications in the contractual cash flows as a result of the reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets.

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 ₱16,393.0 million for the period September 30, 2021 (unaudited) and ₱20,458.0 million for the full-year 2020 (audited). These were sold at a discount with total proceeds of ₱14,897.1 million for the period September 30, 2021 (unaudited) and ₱18,431.9 million in the full-year 2020 (audited). The ALI Group recognized loss on sale, under Interest and Other Financing Charges amounting to ₱1,495.9 million and ₱2,064.0 million for the period September 30, 2021 (unaudited) and for the full-year 2020 (audited), respectively.

Industrial Technologies

Pertain to receivables arising from manufacturing and other related services for electronic products and components and have credit terms averaging 70 days from invoice date.

Power

Power generation receivables pertain to AC Energy Group's receivable from Independent Electricity Market Operator of the Philippines, Philippine Electric Market Corporation (PEMC), National Grid Corporation of the Philippines (NGCP), National Transmission Corporation (TransCo) for the FIT and from the Group's bilateral customers. Significant portion of outstanding balance pertains to receivables from MERALCO Baseload and Mid-Merit PSAs. It consists of both noninterest-bearing and interest-bearing receivables. The term is generally 30-to-60 days.

Noncurrent trade receivables which consist of refundable amount from PEMC and MERALCO Baseload and Mid-Merit PSAs as well as FIT system adjustments are expected to be realized beyond 12 months after end of reporting period.

Among the provisions of Bayanihan 1 Act is the granting of grace periods and payment extensions to energy consumers with payments due within quarantine period. For this purpose, the receivables falling due during quarantine are amortized in four equal installments and are payable in the four months following the end of the quarantine.

Bayanihan 2 Act resulted to deferral of settlement of trade receivables of ACEIC Group as of December 31, 2020.

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.

International and others

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

Outsourcing

Outsourcing 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-outsourcing services and are normally collected within 30- to 60- days from invoice date.

The nature of the Group's other receivables follows:

Advances to other companies

Advances to other companies includes ALI's advances to 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.

On December 17, 2014, NTDCC and MRTDC shareholders executed a "funding and repayment agreement" wherein the latter agrees to repay NTDCC, for the account of MRTDC, its respective pro rata share in the Total Depot DRP Advances (the Pre-2006 DRP Payables and the Residual Depot DRP, including 15% interest rate accrued on such DRP payables).

Commencing on January 1, 2015, the MRTDC Shareholders shall effect the repayment of their respective pro rata share in the Total Depot DRP Payables, through a set-off against their respective share in the commercial center royalties to be received from ALI Group.

Set off shall be effective as of the beginning of every calendar month, commencing January 30, 2015 and shall result in the settlement of the portion of the Total DRP Payables to the extent of the

amount of the commercial center royalties then the balance will fall due to the relevant MRTDC Shareholders.

In 2019, AC Industrial extended a loan to RCI amounting to ₱1,605.0 million which bears interest at the rate of 16% per annum and which accrue from, and shall be paid by RCI, beginning on the second anniversary of the commencement of business of KPMC. For the succeeding years until the repayment date, interest on the principal amount of the loan shall accrue with respect to the outstanding amount of the loan at the rate of 8% per annum and is payable for a period of 10 years. As of September 30, 2021 (unaudited) and December 31, 2020 (audited), loans receivable from RCI amounted to ₱1,932.7 million and ₱1,827.7 million, respectively.

In 2019, ACEIC and UPC Renewables Asia Pacific Holdings Limited (URAPHL) entered into an interest-bearing loan agreement to fund the development of renewable energy and energy storage projects. The interest-bearing loan has a total facility of US\$33.00 million and bears annual fixed rate interest and payable upon maturity. The principal and interest of the loan are payable on January 31, 2023. As of September 30, 2021 (unaudited), outstanding balance of the interest-bearing loan amounted to US\$29.34 million (₱1,489.44 million). Interest income amounted to US\$1.78 million (₱90.15 million) and US\$1.90 million (₱92.17 million) for the periods ended September 30, 2021 and 2020 (unaudited), respectively.

Receivables from Philippine Electricity Market Corporation (PEMC) Multilateral Agreements arises from recalculation of November and December 2013 spot prices as directed by the Energy Regulation Commission. In 2014, ACEIC, PEMC, and other WESM participants signed a Multilateral Agreement pending the resolution of cases filed by WESM participants in the Supreme Court. On various dates in 2014 to 2021, ACEN recorded collections in relation to the Multilateral Agreement amounting to ₱1,123.51 million as of September 30, 2021.

In 2020, ACEIC, BIM Energy Holdings Corporation (BIMEH) and BEHS Joint Stock Company BEHS entered into an extended short-term loan facility for the purpose of implementing the business plans of these companies. The short-term loan has a total facility of US\$21.00 million and US\$9.00 million for BIMEH and BEHS, respectively. The loans bear fixed rate, drawable in tranches and maturing within 11 months from the first drawdown date on June 8, 2020. As of September 30, 2021 (unaudited), outstanding receivable from BIMEH and BEHS are US\$13.07 million (₱663.43 million) and US\$8.40 million (₱426.47 million), respectively. Interest income amounted to US\$1.47 million (₱74.54 million) and US\$0.91 million (₱44.38 million) for the periods ended September 30, 2021 and 2020 (unaudited), respectively.

Receivables from NGCP are non-interest-bearing receivables from NGCP arising from (1) the sale of transmission assets, which are collectible annually within 3 years, discounted using the PHP BVAL reference rates on transaction date ranging from 2.14% - 4.56%; and (2) SLTEC's receivable from NGCP for the remaining uncollected consideration for the sale of the 230KV Salong Switching Station and related assets.

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, are interest bearing (6.0% per annum) and have various maturity dates.

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. This also includes receivable from the DPWH pertaining to the additional costs incurred by the Parent Company in the construction of the Daang Hari-South Luzon Expressway (SLEX) Link Road arising from the government directive to revise the interconnection design of the road amounting to ₱215.9 million in September 30, 2021 (unaudited) and December 31, 2020 (audited).

In general, the Group applies a simplified approach in calculating expected credit losses (ECL). Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Provisions for ECL amounted to ₱189.8 million and ₱136.4 million for the periods ended September 30, 2021 and 2020 (both unaudited), respectively, which form part of the Group's General and Administrative Expenses.

7. Inventories

This account consists of the following:

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
At cost:		
Real estate inventories	₱150,808,889	₱146,743,592
Materials and supplies	13,447,534	5,215,536
Vehicles	959,578	4,357,949
Finished goods	663,753	450,941
Work-in-process	1,015,307	883,588
Others	693,219	154,707
	167,588,280	157,806,313
At NRV:		
Finished goods	22,626	213,600
Work-in-process	209,148	479,191
Materials, supplies and others	1,821,786	2,372,837
	2,053,560	3,065,628
	₱169,641,840	₱160,871,941

The Group's provision for inventory obsolescence amounted to ₱78.0 million and ₱82.9 million for the periods ended September 30, 2021 and 2020 (both unaudited), respectively. The provision is included under General and Administrative Expenses account.

8. Other Current Assets and Other Noncurrent Assets

These accounts consist of the following:

Other current assets

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Advances to contractors	₱22,745,624	₱19,150,239
Prepaid expenses	20,225,459	16,502,145
Input VAT	14,768,071	14,182,766
Creditable withholding tax	10,895,360	10,225,631
Financial assets at FVTPL	8,486,975	8,447,145
Contract assets	3,257,438	2,847,272
Deposits in escrow	630,584	770,990
Derivative assets	505,734	250,230
Others	2,197,803	1,938,474
	₱83,713,048	₱74,314,892

Other noncurrent assets

	September 2021 (Unaudited)	December 2020 (Audited)
Advances to contractors	₱ 8,346,112	₱ 9,387,018
Investment in bonds and other securities		
Financial assets at amortized cost	25,361,400	15,297,105
Financial assets at FVOCI	6,214,743	5,659,208
Financial assets at FVTPL	3,226,145	3,961,898

Deferred charges	11,426,348	11,861,180
Deposits - others	3,404,035	2,654,421
Deferred input VAT	3,515,040	4,122,796
Creditable withholding taxes	1,506,302	1,343,207
Pension assets	83,389	22,472
Others	1,324,212	4,542,224
	P64,407,726	P58,851,529

Other current assets include the following:

- a) Advances to contractors
Advances to contractors represents prepayments for the construction of inventories. These are recouped from billings which are expected to occur in a short period of time.
- b) Prepaid expenses
Prepaid expenses mainly include prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance. ALI's cost to obtain contracts includes prepaid commissions and advances to brokers. In line with ALI Group's accounting policy, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgment was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract specific key performance indicators that could trigger variable consideration, or service credits.
- c) Input VAT
Input VAT is applied against output VAT. The remaining balance is recoverable in future periods.
- d) Financial Assets at FVTPL
The Group's financial assets at FVTPL pertain to government securities and other investment securities.
- e) Creditable withholding tax
The Group will be able to apply the creditable withholding taxes against income tax payable.
- f) Contract assets
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.
- g) Deposits in escrow
Deposits in escrow pertain to the proceeds from the sale of ALI Group that have been only granted with a temporary License To Sell (LTS) by the Housing and Land Use Regulatory Board (HLURB). For projects with temporary LTS, all payments, inclusive of down payments, reservation, and monthly amortization, among others, made by the buyer within the selling period shall be deposited in an escrow account.
- h) Others
Others mainly include deferred charges, accrued liquidated damages and derivatives (see Note 22), among others.

Other noncurrent assets include the following:

- a) Advances to contractors
Advances to contractors represents prepayments for the construction of investment properties, property and equipment and service concession assets.

b) Investments in bonds and other securities

This account consists of debt and equity investments, which are classified as financial assets at amortized cost, financial assets at fair value through OCI (FVOCI) and financial assets at fair value through profit or loss (FVTPL).

Financial assets at FVTPL and FVOCI - these are accounts which are classified according to underlying conditions or terms of investment. These are mostly accounts of AC Energy group.

c) Deferred charges

Deferred charges include ALI's project costs incurred for unlaunched projects of the group, advance rental payments, and noncurrent prepaid management fees. This also includes ALI's noncurrent portion of cost to obtain contracts which includes prepaid commissions and advances to brokers. This also include IMI's tooling items customized based on the specifications of the customers and to be repaid as part of the price of the manufactured items.

d) Deposits - others

This includes deposits and advances for projects which include escrow deposits and security deposits on land leases, electric and water meter deposits.

e) Deferred input VAT

Deferred input VAT pertains to unamortized VAT portion from purchases of capital goods.

f) Others

Others pertain to prepayments for expenses that is amortized for more than one year. As of September 30, 2021 (unaudited) and December 31, 2020 (audited), this includes restricted cash that pertains to AYCFL placement with BPI which amounted to nil and ₱4,083.3 million, respectively, that is not available for use by the Group (see Note 23).

Increase in other current assets is coming from ALI's higher existing project advances and prepayments. The increase in other noncurrent assets pertains to AC Energy's additional investments in financial assets at amortized cost.

9. Right-of use assets and Lease liabilities

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Right-of-use assets	₱ 20,316,405	₱ 19,812,516
Lease liabilities - current and noncurrent	₱ 25,857,994	₱ 24,117,720

Leases effective January 1, 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) 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 and estimate of costs to be incurred by the lessee in dismantling and

removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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.

ii) Lease liabilities

Group as lessee

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 lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. 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.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (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 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.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted on a straight line basis over the lease term and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease concessions

The Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. Where the Group has evaluated that the rent concessions do not qualify as a lease modification, the Group accounts for the lease concessions in the form of negative variable rent which the Group records when the concession is granted, regardless of the period to which the concession pertains.

Total additions to Right-of use (ROU) assets and Lease liabilities amounted to ₱1.7 billion and ₱2.3 billion, respectively, for the period September 30, 2021 (unaudited). Meanwhile, payments of Lease liabilities amounted to ₱2.5 billion for the period September 30, 2021 (unaudited).

Increase in Lease liabilities came from AC Energy group and AC Health's consolidation of MGH/Qualimed accounts.

10. Investments in Associates and Joint Ventures

Investments in associates and joint ventures are accounted for under the equity method of accounting. Major associates and joint ventures and the related percentages of economic ownership as of September 30, 2021 (unaudited) and December 31, 2020 (audited) are as follows:

	% of Economic Ownership			
	September 2021 (Unaudited)	December 2020 (Audited)	September 2021 (Unaudited)	December 2020 (Audited)
Domestic:			(In Millions)	
Bank of the Philippine Islands (BPI)	32.9	32.9	₱ 115,542	₱ 111,682
Liontide Holdings Inc. (LHI)*	78.1	78.1	53,563	51,531
Globe Telecom, Inc. (Globe)*	30.8	30.8	28,231	26,008
Manila Water Company, Inc. (MWC)**	38.6	-	15,576	-
Ortigas Land Corporation (OLC)	21.0	21.0	9,014	8,677
AA Thermal, Inc. (AATI)	40.0	40.0	7,186	5,906
iPeople, Inc. (IPO)	33.5	33.5	5,522	5,307
Light Rail Manila Holdings, Inc. (LRMHI)	50.0	50.0	5,433	4,874
ALI-ETON Property Development Corporation*	50.0	50.0	5,074	4,499
Philippine Wind Holdings Corporation (Philwind)*	50.2	57.0	4,682	4,837
Emerging City Holdings, Inc. (ECHI)*	50.0	50.0	4,023	3,886
AKL Properties, Inc. (AKL)*	50.0	50.0	3,045	3,034
Berkshire Holdings, Inc. (BHI)*	50.0	50.0	1,980	1,921
Cebu District Property Enterprise, Inc. (CDPEI)*	35.0	35.0	1,633	1,426
Asiacom Philippines, Inc. (Asiacom)*	60.0	60.0	1,505	1,468
Bonifacio Land Corporation (BLC)	10.0	10.0	1,460	1,406
IE Medica, Inc. (IEM)	49.0	49.0	1,304	1,233
Ingrid Power Holdings, Inc. (Ingrid)*	35.9	-	1,108	-
Alveo-Federal Land Communities, Inc.*	50.0	50.0	1,088	929
BF Jade E-Services Philippines, Inc. (BF Jade/ Zalora)	45.3	44.7	641	773
Rize-Ayalaland (Kingsway) GP Inc. (Rize- Ayalaland)	49.0	49.0	433	403
Foreign:				
Star Energy Geothermal (Salak-Darajat) B.V. (Salak-Darajat) (incorporated in Netherlands)	14.2	19.8	10,461	9,330
Yoma Strategic Holdings, Inc. (YSH) (incorporated in Singapore)	14.9	14.9	5,006	4,822
UPC-AC Energy Australia (HK) Ltd. (incorporated in Hong Kong)*	35.9	50.0	973	1,009
Others - net	Various	Various	697	47
			₱ 285,180	₱ 255,008

* Joint ventures.

** See Notes 3 and 20

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 economic 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

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Millions)	
Total Resources	P 2,260,387	P 2,233,443
Total Liabilities	P 1,966,512	P 1,951,487
Capital Funds Attributable to the Equity Holders of BPI	291,807	279,835
Capital Funds Attributable to the Noncontrolling Interest	2,068	2,122
Total Liabilities and Capital Funds	P 2,260,387	P 2,233,443

BPI's Consolidated Statements of Income

	September 2021 (Unaudited)	September 2020 (Unaudited)
	(In Millions, except earnings per share)	
Interest Income	P 62,603	P 73,748
Other Income	20,805	21,991
Total Revenues	83,408	95,740
Operating Expenses	36,489	35,246
Interest Expense	11,435	19,532
Impairment Losses	10,251	20,472
Provision for Income Tax	7,238	3,109
Total Expenses	65,413	78,359
Net Income for the Period	P 17,995	P 17,380
Attributable to:		
Equity Holders of BPI	P 17,826	17,172
Noncontrolling Interest	169	208
	P 17,995	P 17,380
Earnings Per Share	P 3.95	P 3.80

- On April 22, 2021, in the BPI's annual shareholders meeting, shareholders approved the merger of BPI and BPI Family Savings Bank Inc. (BFSBI), with BPI as surviving entity, subject to regulatory approvals. The merger was approved by the BPI Board on January 20, 2021.

On March 23, 2021, a Plan of Merger was executed between BPI and BFSB indicating the details of the merger.

Subsequently, the Philippine Competition Commission, in its letter dated May 25, 2021, indicated that the BPI and BFSBI merger is exempt from compulsory notification. Moreover, the PDIC, in its letter dated July 6, 2021, has also granted its consent to the proposed merger of BPI and BFSBI, subject to certain conditions. The Bangko Sentral ng Pilipinas (BSP), in its letter to BPI dated October 4, 2021, indicated that the Monetary Board of BSP approved the proposed merger on September 30, 2021. BPI will now proceed with filings with the SEC (see Note 25).

The integration of both entities will provide considerable advantages to the customers and employees of BPI and BFSB, and present potential synergies that will benefit shareholders. The accelerated shift to digital, the focus on operational efficiency and the expected reduction in the gap in regulatory reserve requirements between commercial banks and thrift banks were factors in the timing of the transaction.

2. The impact of the implementation of CREATE Law in BPI's income tax for the period ending September 30, 2021 is an increase of ₱1.7 billion due to higher deferred income tax partly offset by lower current income tax (see Note 3).
3. On May 19, 2021, the BPI Board declared a regular cash dividend of ₱0.90 per share, for the first semester of 2021 on the total outstanding common shares of the capital stock of BPI, payable to all common stockholders of record as of June 2, 2021 and payable/distributable on June 23, 2021. Total dividends declared amounted to ₱4.1 billion.
4. On June 8, 2021, BSP approved the amendment to Article Seventh of BPI's Articles of Incorporation. The increase in the authorized capital stock particularly the common stock from 4.9 billion to 5.0 billion and the corresponding amendment to the Articles of Incorporation was approved by the stockholders last April 22, 2021.
5. BPI's provision for losses amounted to ₱10.3 billion and ₱20.5 billion for the period ended September 30, 2021 and 2020 (both unaudited), respectively. BPI's higher amount of impairment provisions for non-performing loans last year was brought about by the pandemic and quarantine.
6. The fair value of BPI shares held by the Parent Company amounted to ₱120.8 billion and ₱120.7 billion as of September 30, 2021 (unaudited) and December 31, 2020 (audited), respectively. The effective voting rights held by the Group in BPI is 49.7% as of September 30, 2021 (unaudited) and December 31, 2020 (audited).
7. The Parent Company's share in the net identifiable assets of BPI amounted to ₱96.6 billion as of September 30, 2021 (unaudited). The dividends received from BPI amounted to ₱1.3 billion for the period ended September 30, 2021 and 2020 (both unaudited).

LHI

As of September 30, 2021, the Parent Company's direct ownership in LHI is equal to 78.1%, while LHI's direct ownership in BPI is equal to 20.0%. The fair value of BPI shares held by LHI amounted to ₱73.6 billion as of September 30, 2021 (unaudited) and December 31, 2020 (audited). The effective voting rights held by the Group in LHI is equal to 84.2% as of September 30, 2021 (unaudited). The Parent Company and GIC Special Investments Pte. Ltd., the entity controlling Arran Investment Pte. Ltd., as joint venture partners, agreed to vote its BPI shares based on the common position reached jointly by them as shareholders.

Globe Group

Globe's Consolidated Statements of Financial Position

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Millions)	
Current Assets	₱ 56,408	₱ 64,098
Noncurrent Assets	359,512	275,682
Total Assets	₱ 415,920	₱ 339,780
Current Liabilities	₱ 118,652	₱ 80,275
Noncurrent Liabilities	217,110	176,700
Equity Attributable to Equity Holders of the Parent	79,876	82,567
Equity Attributable to Noncontrolling Interest	282	237
Total Liabilities and Equity	₱ 415,920	₱ 339,780

Globe's Consolidated Statements of Income

	September 2021 (Unaudited)	September 2020 (Unaudited)
	(In Millions, except earnings per share)	
Revenues	P 125,612	P 119,593
Other Income (Losses)	1,004	47
Total Revenues	126,616	119,640
Costs and Expenses	104,611	96,210
Provision for Income Tax	4,046	7,541
Total Expenses	108,657	103,752
Net Income	P 17,959	P 15,888
Total Net Income Attributable to:		
Equity Holders of the Parent	P 17,899	15,870
Noncontrolling Interest	60	18
Net Income	P 17,959	P 15,888
Earnings Per Share:		
Basic	P 131.73	P 115.93
Diluted	P 131.17	P 115.53

- Globe is a grantee of various authorizations and licenses from the National Telecommunications Commission (NTC) as follows: (1) license to offer and operate facsimile, other traditional voice and data services and domestic line service using Very Small Aperture Terminal (VSAT) technology; (2) license for inter-exchange services; and (3) Certificate of Public Convenience and Necessity (CPCN) for: (a) international digital gateway facility (IGF) in Metro Manila, (b) nationwide digital cellular mobile telephone system under the GSM standard (CMTS-GSM), (c) nationwide local exchange carrier (LEC) services after being granted a provisional authority in June 2005, and (d) international cable landing stations located in Nasugbu, Batangas, Ballesteros, Cagayan and Brgy. Talomo, Davao City.

Globe is organized along two key customer facing units (CFUs) tasked to focus on the integrated mobile, Fixed Line and international voice and roaming needs of specific market segments. Globe has a Consumer CFU with dedicated marketing and sales groups to address the needs of retail customers, and a Business CFU (Globe Business) focused on the needs of big and small businesses. Globe Business provides end-to-end mobile and Fixed Line solutions and is equipped with its own technical and customer relationship teams to serve the requirements of its client base. Globe Business also caters to the international voice and roaming needs of overseas Filipinos, whether transient or permanent. Moreover, it is tasked to grow the Globe's international revenues by leveraging on its product portfolio and developing and capitalizing on regional and global opportunities.

- In compliance with Republic Act 11202 or the Mobile Number Portability Act, Globe officially launched its internal Mobile Number Portability (MNP) capability on April 21, 2020. This covers all Postpaid to Prepaid, Prepaid to Postpaid, and Prepaid to Prepaid customer movements within Globe and TM brands.

The Philippines' major Mobile Network Operators (MNO) namely Globe, Smart and DITO, are one with the government in the implementation of the MNP Act and through their joint venture company, Telecommunications Connectivity Inc. (TCI) has successfully concluded the initial tests of their technical capabilities and interoperability last July 14, 2021. The joint effort will soon allow customers the option to keep their mobile numbers permanently, even when they change network providers or switch subscriptions.

- Globe's impairment loss on trade receivables amounted to P3.6 billion and P5.0 billion for the period ended September 30, 2021 and 2020 (both unaudited), respectively. The Globe Group recognized higher amount of impairment loss last year due to the increase in lower quality receivables brought about by the pandemic and quarantine.

4. The impact of the implementation of CREATE law in Globe's income tax expense for year 2021 is a decrease of ₱1.4 billion (see Note 3).
5. The Globe's BOD approved in separate approvals the declaration of three quarterly distributions of cash dividends of ₱27 per share, paid each last March 11, 2021, June 4, 2021 and September 3, 2021. Each cash dividend payment total to about ₱3.6 billion, bringing total distribution by end of September 2021 to ₱10.8 billion.

On May 6, 2021, the Globe's BOD approved the declaration of the second semi-annual cash dividend for holders of its non-voting preferred shares on record as of July 28, 2021. 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 was paid on August 23, 2021.

6. On May 6, 2021, the Globe's BOD ratified the resolutions of Globe's Finance Committee approving Globe's redemption of Series A Non-Voting Perpetual Preferred Shares (GLOPP). The redemption was made last August 22, 2021 (the 7th year anniversary from the issue date of the shares) by payment in cash of the redemption price equal to the issue price of the shares plus accrued and unpaid dividends up until August 22, 2021 based on the dividend rate of 5.2006% per annum. As the redemption date falls on a Sunday, the payment of the redeemed shares shall be made on August 23, 2021 to shareholders on record as of July 28, 2021. Trading suspension of GLOPP was set on July 23, 2021, which is the ex-date. The shares will be recorded as treasury stock of Globe and shall be retired.
7. On January 26, 2021, Asticom Technology, Inc. (Asticom), a wholly-owned subsidiary of Globe, incorporated its wholly owned subsidiary, Fiber Infrastructure and Network Services Inc. (FINSI). FINSI was incorporated to provide end-to-end services and industry specific solutions to telecommunications and telecommunications-related companies. In March 2021, FINSI started its commercial operation.

On April 12, 2021, Asticom incorporated its wholly owned subsidiary, BRAD Warehouse and Logistics Services Inc. (BRAD). BRAD was incorporated to engage in the business of transporting, shipping, receiving, storing and managing products and services using technology platforms for third-party providers.

8. The fair value of Globe shares held by the Parent Company amounted to ₱122.8 billion and ₱83.5 billion as of September 30, 2021 (unaudited) and December 31, 2020 (audited), respectively. The effective voting rights held by the Group in Globe is 46.6% and 46.7% as of September 30, 2021 (unaudited) and December 31, 2020 (audited), respectively.
9. The Parent Company's share in the net identifiable assets of Globe amounted to ₱24.7 billion as of September 30, 2021 (unaudited). The dividends received from Globe amounted to ₱3.3 billion and ₱3.2 billion for the periods ended September 30, 2021 and 2020 (both unaudited), respectively.

MWC Group

Below is MWC's summarized financial information (refer to Notes 3 and 20).

MWC's Consolidated Statements of Condition

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Millions)	
Current Assets	₱ 25,970	₱ 27,738
Noncurrent Assets	139,593	128,789
Total Assets	₱ 165,563	₱ 156,527

Current Liabilities	P 16,507	P 16,527
Noncurrent Liabilities	79,532	79,836
Equity Attributable to Equity Holders of the Parent	68,115	58,851
Equity Attributable to Noncontrolling Interest	1,409	1,312
Total Liabilities and Equity	P 165,563	P 156,527

MWC's Consolidated Statements of Income

	September 2021 (Unaudited)	September 2020 (Unaudited)
	(In Millions, except earnings per share)	
Revenues	P 15,275	P 16,072
Other Income (Losses)	(1,704)	(2,383)
Total Revenues	13,571	13,688
Costs and Expenses	8,904	8,414
Provision for Income Tax	1,183	1,983
Total Expenses	10,087	10,397
Net Income	P 3,484	P 3,291
Total Net Income Attributable to:		
Equity Holders of the Parent	P 3,387	3,196
Noncontrolling Interest	97	95
Net Income	P 3,484	P 3,291
Earnings Per Share:		
Basic	P 1.18	P 1.28
Diluted	P 1.18	P 1.28

1. The fair value of the MWC shares held by the Group amounted to ₱16.1 billion and ₱13.9 billion as of September 30, 2021 (unaudited) and December 31, 2020 (audited), respectively. The voting rights held by the Group in MWC is 31.6% and 80.2% as of September 30, 2021 (unaudited) and December 31, 2020 (audited), respectively. The Group's share in the net identifiable assets of MWC amounted to ₱26.8 billion as of September 30, 2021 (unaudited).
2. On October 23, 2020, MWC's management approved the disposal of PT Manila Water Indonesia's (PTMWI), a wholly-owned subsidiary of MWC, investment in PT. Sarana Tirta Ungaran (PT STU). Although the approval to sell investment in PT STU is approved in 2020, there was no active program yet to locate a buyer. The agreement with the buyer came to conclusion in April 2021. On April 30, 2021, PTMWI reclassified its investment in PT STU as an "asset held for sale" since it expected the divestment to be completed within the year.

On July 8, 2021, MWC's management approved to withdraw the sale of the investment in PT STU with the intent to continue holding the investment indefinitely given PT STU's potential for internal and external growth. The previous sale agreement with the identified buyer was withdrawn and consented to by the buyer. On July 31, 2021, PTMWI reclassified its investment in PT STU from "asset held for sale" to "investments in associates".

Mercado General Hospital, Inc. (MGHI)

In February 2021, White Knight completed the sale of its 39.20% share in the outstanding capital stock of MGHI to Healthway (see Note 3).

IPO

1. Applying the provisions of the CREATE Act, the IPO Group would have been subjected to lower preferential tax rate of 1% for subsidiaries that are proprietary education institutions and lower RCIT of 25% or 20% and MCIT of 1% for other entities effective July 1, 2020. This will result in reduction of ₱19.4 million in current income tax and income tax payable. The reduced amounts will be reflected in the 2020 annual income tax return of respective subsidiaries. However, for financial reporting purposes, the changes will only be recognized in the 2021

financial statements. As to the impact on deferred tax, the IPO Group assessed that the impact is not material as most of the temporary differences, particularly those from proprietary education institutions, will reverse after June 30, 2023.

2. The fair value of IPO shares held by the Parent Company amounted to ₱2.4 billion and ₱3.1 billion as of September 30, 2021 (unaudited) and December 31, 2020 (audited), respectively. The effective voting rights held by the Group in IPO is 33.5% as of September 30, 2021 (unaudited) and December 31, 2020 (audited), respectively. The dividends received from IPO amounted to ₱21.0 million and ₱24.5 million for the period ended September 30, 2021 and 2020 (both unaudited).

PhilWind

The investment in PhilWind is accounted for as investments in joint ventures as the relevant activities of PhilWind and North Luzon Renewable Energy Corporation (NLR) require the unanimous consent of the stockholders. PhilWind is one of the entities acquired by ACEN from AC Energy under the share swap.

Ingrid Power Holdings, Inc. (Ingrid)

On July 23, 2020, ACEIC, ACEN and ACE Endeavor, Inc. (ACED) signed a Shareholders' Agreement (the Agreement) with Axia Power Holdings Philippines Corporation (APHPC), a subsidiary of Marubeni Corporation, for the development, construction and operation of the 150 megawatt (MW) highspeed, diesel-fueled power plant project in Pililla, Rizal (the Ingrid Project), which started its commercial operation in 2021 following the issuance of the Notice to Proceed (NTP) in December 2019 (see Note 25).

Under the Agreement, APHPC will acquire 50% of the voting shares and 50% of the economic rights in Ingrid, the special purpose vehicle of the Ingrid Project, while ACEN will hold 50% of the voting shares and 45% of the economic rights, with ACED having a 5% share of the economic rights in Ingrid. The joint venture is subject to the approval of the Philippine Competition Commission (PCC).

On November 24, 2020, the PCC issued Decision No. 20-M-017/2020 finding that the transaction "will not likely result in substantial lessening of competition" and resolving "to take no further action with respect to the proposed transaction among APHPC, ACEN, ACED and Ingrid."

On March 18, 2021, Ingrid and APHPC executed a Subscription Agreement for the subscription by APHPC to 5 Common B Shares, 580,000 Redeemable Preferred F Shares, and 5,219,995 Redeemable Preferred G Shares of Ingrid. As at September 30, 2021, APHPC has infused ₱580 million to Ingrid. Following the subscription of APHPC, Ingrid will have a total subscribed capital of ₱1.97 billion (see Note 25).

On August 10, 2021, Ingrid received the SEC's approval of Ingrid's amended Articles of Incorporation, and the Certificate of Approval of Increase in ACS, both issued on August 4, 2021.

Ingrid is among the ACEN's wholly owned subsidiaries which were acquired from ACEIC in exchange for ACEN's own shares in 2020. Following the Shareholders' Agreement and the SEC's approval of Ingrid's increase in ACS, the ACEN Group loses control and recognizes the investment retained in the former subsidiary. The retained interest is remeasured upon deconsolidation of Ingrid's assets and liabilities from the consolidated statement financial position, and recognized gain amounting to ₱21.81 million in the consolidated statements of income. ACEN, ACED and APHPC have joint control with Ingrid over key decision areas and material transactions through various reserved matters.

Negros Island Biomass Holdings Inc. (NIBHI)

On June 18, 2021, Negros Island Biomass Holdings Inc. (NIBHI), a joint venture development holding company between ACEN and Zabaleta group, has signed binding agreements to divest its shareholdings in three biomass-fired power plants in the Visayas. Subject to certain conditions precedent, NIBHI will sell its equity stake to its partner, the Singapore-based ThomasLloyd CTI Asia Holdings Pte Ltd ("TLCTI Asia"), which indirectly already owns over 90% of the economics of the equity ownership of the biomass-fired power plants.

NIBHI issued irrevocable proxies to TLCTI Asia over the biopower shares on June 15, 2021 on the basis of the Heads of Terms Agreement signed on May 11, 2021.

The Share Purchase Agreement between NIBHI and TLCTI Asia, as well as the Deeds of Absolute Sale, were executed on June 22, 2021.

NEFIN Holding Limited (NEFIN)

On August 4, 2021, ACEN, through ACRI, has obtained board approval to enter into a joint venture with NEFIN, a leading solar photovoltaic developer and investor in carbon neutrality solutions. ACEN and NEFIN will establish a 50/50 joint venture holding company that will develop, construct, and operate rooftop solar projects across Asia. The joint venture will own 21 MW of operating assets and has a robust near-term project pipeline.

ACRI's investment into the joint venture vehicle will be via a primary infusion of an initial US\$10 million of fresh funds which will be used to construct near-term projects over the coming years. ACRI will also commit to further expand its funding for the development and construction of the rest of the joint venture's carbon neutrality pipeline.

GNPower Dinginin Ltd. Co (GNPD)

In March 2021, the ACEIC Board approved the provision of credit support amounting to US\$33.33 million to GNPD, to enable the issuance of a Debt Service Reserve Letter of Credit (DSR L/C) for the Project Debt Service Reserve Account in compliance with the debt covenants that are triggered prior to commercial operations. Expected effectivity date of the credit support was before end of April 2021 with expiry date of December 31, 2029.

In August 2021, the ACEIC Board approved the increase in the maximum DSR L/C credit support to US\$40.50 million and extension of expiry date to December 31, 2032, with revised effectivity date to not earlier than September 2021. This was made in response to GNPD's intention to ask lenders for a two to three-year extension of the debt maturity largely due to the effects of the pandemic on the pace of the construction.

To date, GNPD has not yet procured the issuance of a DSRA L/C.

ib vogt Singapore Pte Ltd

On August 25, 2021, ACEN obtained Executive Committee approval to enter into a joint venture with ib vogt Singapore Pte Ltd for the development of solar projects in the Philippines, with an initial target of 300 MWdc of generating capacity. ib vogt Singapore Pte Ltd is an affiliate of ib vogt GmbH, a German company focused on developing and delivering high-quality large-scale turnkey photovoltaic plants worldwide. The final terms of the joint venture, including the initial investment of ACEN, is subject to due diligence and the execution of definitive documentation.

11. Intangible Assets and Deferred Tax Assets

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Intangible assets	₱ 21,750,185	₱ 19,624,573
Deferred tax assets - net	₱ 15,069,629	₱ 14,634,045

Intangible assets include goodwill, customer relationships, unpatented technology, intellectual properties, developed software, licenses, trademarks, project development cost, leasehold and other rights.

Deferred tax assets (DTA) includes DTA on difference between tax and book basis of accounting for real estate transactions, lease liability, accrued expense, among others.

Increase in intangible assets pertains to tradename and goodwill on AC Health's acquisition of MGHI amounting to ₱2.1 billion.

12. Investment Properties and Property, Plant and Equipment

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Investment Properties	₱ 231,764,567	₱ 226,456,967
Property, plant and equipment - net	₱ 98,150,276	₱ 94,537,980

Investment properties

- a) Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its own use and benefit.
- b) Construction in progress pertain to buildings under construction to be leased as retail and office spaces upon completion. The development and construction period normally range from three years to five years and depends heavily on the size of the assets.

The account consists of Investments in Land, Building and Construction-in-Progress, net of accumulated depreciation and amortization and impairment loss:

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Land	₱ 66,658,457	₱ 71,778,371
Building	99,173,685	88,746,171
Construction-in-progress	65,932,425	65,932,425
	₱ 231,764,567	₱ 226,456,967

Property, plant and equipment

Property, plant and equipment includes land, buildings and improvement, plant machinery and equipment, hotel property and equipment, furniture and fixtures, transportation and construction in progress.

Total additions to Property, Plant and Equipment and Investment Properties amounted to ₱10.5 billion and ₱11.0 billion, respectively, for the period September 30, 2021. Meanwhile proceeds from disposal of Property, Plant and Equipment and Investment properties amounted to ₱597.2 million for the same period.

The Group recognized gains from disposal and retirement of certain machineries and facilities equipment, furniture and fixtures, and tools and instruments and booked under Other income account.

13. Service Concession Assets and Service Concession Obligation

Parent Company's Service Concession Assets (SCA)

SCA pertains to the Parent Company's concession agreement with the DPWH.

Variation Order

On February 25, 2013, the DPWH sent a Variation Notice to Pertconsult International, the Project's Independent Consultant (IC), instructing the IC to advise the Parent Company to submit a request for Prior Clearance and Variation Proposal in connection with TRB's directive to include in the Project's design a provision for future expansion of SLEX to accommodate possible fifth lane for both directions at the Filinvest to Susana Heights Section. IC, in its letter to the Project's

Management Consultant dated March 4, 2013, effectively directed the Parent Company to comply with the DPWH letter dated February 25, 2013.

Such proposal was made in accordance with the Concession Agreement which provides that in the event the DPWH initiates a variation, the Parent Company as concessionaire, shall prepare a proposal setting out the necessary details and additional cost estimates.

On April 10, 2014, the Parent Company submitted a variation proposal to the DPWH and sought for approval of (1) Direct payment of the construction cost for the works related to the provisioning of the SLEX future expansion amounting to ₱251.2 million inclusive of VAT and (2) Extension of the concession period by 3 ½ years due to the delays encountered as a result of the variation order.

DPWH, in its letter to IC dated February 6, 2015, advised the same that it has issued the approved Prior Clearance/Authority to Issue Variation Order No. 1 with a cap of ₱223.0 million.

On May 27, 2015, the DPWH approved the adjusted cost of the variation order in the amount of ₱223.0 million (which was rectified by the Bureau of Construction) variation proposal and endorsed it to the National Economic and Development Authority (NEDA) for information and appropriate action. Accordingly, the Parent Company reclassified the amount of ₱223.0 million from service concession account to receivables from the Government upon DPWH's approval of the variation order.

NEDA in its meeting held on July 15, 2015 confirmed the recommendation of the variation order.

On May 31, 2016, variation order for the project amounting to ₱16.6 million was reclassified to SCA under investment in toll road. Also, various reimbursement for expenses incurred during the acquisition of the right of way (ROW) amounting to ₱1.1 million was received from the DPWH under the Reimbursement Agreement.

On November 21, 2016, the IC recommended to the DPWH that a Certificate of Final Completion be issued for the project. Subsequently, DPWH, in its letter dated December 21, 2016, issued the certificate of completion.

As of date, the variation order claim is still being evaluated.

As of September 30, 2021 (unaudited) and December 31, 2020 (audited), the Parent Company's other receivables includes receivable from DPWH amounting to ₱215.9 million pertaining to variation order and reimbursement of right-of-way acquisition claims.

Parent Company's Service Concession Obligation

Provision for maintenance obligation of MCX

Provision for maintenance obligation pertains to the present value of the estimated contractual obligations of the Parent Company to undertake the financing of the Project's periodic maintenance, which includes renewal and restoration of toll roads and toll road facilities prior to turnover of the asset to DPWH, the grantor.

Under the Minimum Performance Standards and Specifications (MPSS), the Parent Company has the obligation to perform routine and periodic maintenance. Routine maintenance pertains to day-to-day activities to maintain the road infrastructures while periodic maintenance comprises of preventive activities against major defects and reconstruction. Moreover, the Parent Company is required to perform maintenance and repair work in a manner that complies with the MPSS once it hands the asset back to the DPWH. The provision is a product of the best estimate of the expenditure required to settle the obligation based on the usage of the road during the operating phase. The amount is reduced by the actual obligations paid for heavy maintenance of the SCA.

MWC's Service Concession Assets (SCA) (see Notes 20 and 10)

SCA consists of the present value of total estimated concession fee payments, including regulatory costs and local component costs, of MWC, Laguna Water, Boracay Water, Clark Water, Obando Water, Calasiao Water, Bulakan Water, South Luzon Water, and Lambunao Water and Aqua Centro (Lambunao Project), pursuant to MWC's concession agreements and joint venture agreements (JVA) and septage management agreement (SMA); and the revenue from

rehabilitation works which is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements JVA and SMA.

MWC Group has concession agreements with MWSS, PGL, TIEZA, CDC, OWD, CWD, PAGWAD, TnWD, and BuWD. These concession agreements set forth the rights and obligations MWC Group throughout the concession period.

Contract assets arising from concession agreements consist of the cost of rehabilitation works covered by the concession agreements of MWC, Laguna Water, Boracay Water, Clark Water, Cebu Water, Obando Water, Bulakan Water, South Luzon Water, Tagum Water and Calasiao Water.

MWSS Concession Fees

The aggregate concession fees of MWC pursuant to the concession agreement are equal to the sum of the following:

- a. 10% of the aggregate peso equivalent due under any MWSS loan which has been disbursed prior to the Commencement Date, including MWSS loans for existing projects and the Umiray Angat Transbasin Project (UATP), on the prescribed payment date;
- b. 10% of the aggregate peso equivalent due under any MWSS loan designated for the UATP which has not been disbursed prior to the Commencement Date, on the prescribed payment date;
- c. 10% of the local component costs and cost overruns related to the UATP;
- d. 100% of the aggregate peso equivalent due under MWSS loans designated for existing projects, which have not been disbursed prior to the Commencement Date and have been either awarded to third party bidders or elected by MWC for continuation; and
- e. 100% of the local component costs and cost overruns related to existing projects;
- f. MWC's share in the repayment of MWSS loan for the financing of new projects; and
- g. One-half of MWSS annual corporate budget.

On March 31, 2021, the MWC and Metropolitan Waterworks and Sewerage System (MWSS) executed a Revised Concession Agreement (RCA) amending the Concession Agreement dated February 21, 1997 and its amendments (the "Original CA") for the operation and maintenance of the waterworks and sewerage services within the Service Area East of the MWSS.

The RCA confirms the continuation of the concession until July 31, 2037 and maintains the rate rebasing mechanism under the Original CA. Thus, rates for water and sewerage services shall still be set at a level that will permit MWC to recover over the term of the concession expenditures efficiently and prudently incurred and to earn a reasonable rate of return.

As previously disclosed, the RCA largely adopts the provisions of the New Clark City - Joint Venture Agreement (NCC-JVA) for the development of water and wastewater infrastructure in New Clark City. Consistent with the NCC-JVA, the RCA removes Corporate Income Taxes from recoverable expenditures as well as the quarterly adjustments for foreign currency differential. To mitigate the impact of tariff increases on customers, the RCA lowers the inflation factor to 2/3 of the Consumer Price Index adjustment and imposes caps on increases in standard rates for water (1.3x the previous standard rate) and wastewater (1.5x the previous standard rate). Finally, instead of a market-driven appropriate discount rate, MWC shall now be entitled to a fixed 12% nominal discount rate.

To align with the government's program to assist the disadvantaged sector and to contribute to the recovery of the economy post-COVID 19, the RCA includes a tariff freeze until December 31, 2022. Service obligations will be adjusted in line with the new standards under the RCA, with corresponding realignments to the 2018 Service Improvement Plan to be finalized with the MWSS.

The RCA will still be covered by an Undertaking Letter from the Republic applicable to contracts and obligations existing at the time of execution of the agreement.

The RCA shall be effective upon compliance with all conditions precedent but not later than six (6) months from the date of signing or until September 30, 2021.

On September 30, 2021, MWSS and the MWC signed the Amendment to the RCA. The following provisions were amended:

- i. The effective date was changed from “not to exceed six months from signing of the Revised Concession Agreement or September 30, 2021” to “no later than November 18, 2021;” and
- ii. The review and amendment of the Common Purpose Facilities Agreement dated July 31, 1997 was revised from “within six months from the signing of the Revised Concession Agreement or September 30, 2021” to “no later than November 18, 2021.”

The amendment synchronizes the effectivity dates of the RCAs of MWC and Maynilad, as both concessionaires await the completion of the same remaining conditions to the effectivity of its respective RCAs.

MWC Water Supply Shortage

In March 2019, the large decline in La Mesa dam water levels caused water service availability in the East Zone to drop significantly, reaching its lowest level at about 68.5 meters in April 2019. In order to ease the widespread inconvenience of the water supply shortage to the customers who were affected by the unprecedented water shortage, MWC announced a one-time voluntary Bill Waiver Program on March 26, 2019. This program had two parts, namely:

- i. all customers will receive a bill waiver of the minimum charge in their consumption which represents ten (10) cubic meters covering water, environmental and sewer charges; and
- ii. all customers from hard-hit barangays with absolutely no water service for at least seven (7) days from March 6 to March 31, 2019 will not be charged at all for the month of March 2019.

The bill waiver is in the nature of an abatement or reduction from the gross amount or price to be paid by the customers. This was implemented in April 2019 and was treated as sales discount in the customer's billings.

In April 2019, MWSS BOT (MWSS Resolution No. 2019-055-CO and MWSS Resolution No. 2019-056-CO) imposed a financial penalty of ₱534.05 million on MWC for its failure to meet its service obligation to provide 24/7 water supply to its customers. While the development of new water sources is, under the Concession Agreement, ultimately the responsibility of MWSS, MWC has abided by the decision of MWSS to pay the financial penalty of ₱534.05 million even as it assumes no liability on the basis of the penalty as the Parent Company was not the root cause of the water supply shortage. Pursuant to the directive of the MWSS RO, the ₱534.05 million financial penalty was distributed to the East Zone customers through rebates wherein all connections as of March 31, 2019 received a minimum rebate equivalent to their first 10 cubic meters or ₱153.93 each while identified severely affected accounts received an additional rebate of ₱2,197.94 each.

Supreme Court Decision in Relation to the Philippine Clean Water Act of 2004

This case arose from a complaint filed by the OIC Regional Director Roberto D. Sheen of the Environmental Management Bureau-National Capital Region (EMB-NCR) before the Pollution Adjudication Board (PAB) against MWC, Maynilad, and MWSS for alleged violation of Philippine Clean Water Act of 2004 (RA No. 9275, the “Clean Water Act”), particularly the five (5)-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 September 18, 2019, the MWC received a copy of the Decision of the Supreme Court on the case ‘Manila Water Company, Inc. vs. The Secretary of the Department of Environment and Natural Resources, et.al.’ with G.R. No. 206823 and promulgated on August 6, 2019. In the Decision, the Supreme Court found MWC liable for fines in violation of Section 8 of the Clean Water Act in the following manner:

- a. MWC shall be jointly and severally liable with MWSS for the total amount of ₱921.46 million covering the period starting from May 7, 2009 to the date of promulgation of the Decision, August 6, 2019, to be paid within fifteen (15) days from finality of the Decision.
- b. From finality of the Decision until full payment of the ₱921.46 million fine, MWC shall be fined in the initial amount of ₱322,102.00 per day, subject to a further 10.00% increase every two (2)

years as provided under Section 28 of the Clean Water Act, until full compliance with Section 8 of the same law.

- c. The total amount of fines imposed by the Decision shall earn legal interest of six percent (6.00%) per annum from finality and until full satisfaction thereof.

On October 2, 2019, MWC filed a Motion for Reconsideration with the Supreme Court.

On July 1, 2020, MWC received a copy of the Consolidated Comment (on the separate Motions for Reconsideration filed by petitioners MWSS, Maynilad Water Services, Inc. and MWC) filed by the Office of the Solicitor General in behalf of the adverse parties.

On August 17, 2020, MWC filed with the Supreme Court a Motion for Leave to file and admit its Reply.

On November 3, 2020, MWC received a Resolution dated September 8, 2020 issued by the Supreme Court, which relevantly:

1. noted the Consolidated Comment;
2. granted the Motion for Leave and Admit Attached Reply; and
3. noted the Reply filed by MWC.

As of the date of authorization for issuance of this report, the Motion for Reconsideration remains pending.

14. Accounts Payable and Accrued Expenses

This account consists of the following:

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Accounts payable	₱ 98,898,225	₱ 95,403,179
Accrued expenses		
Project costs	15,466,194	18,220,433
Personnel costs	7,740,111	8,680,897
Professional and management fees	3,837,951	3,189,430
Repairs and maintenance	3,072,115	1,796,103
Advertising and promotions	1,049,745	1,128,123
Rental and utilities	1,037,074	1,283,483
Various operating expenses	7,293,092	5,963,087
Taxes payable	20,369,329	20,263,873
Liability for purchased land	8,036,802	9,316,978
Interest payable	5,433,020	3,740,812
Retentions payable	4,388,660	4,801,113
Related parties (Note 23)	1,380,387	1,275,963
Dividends payable	363,711	2,251,883
	₱ 178,366,416	₱ 177,315,357

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 project costs are billings not yet received from suppliers for direct materials and services from subcontractors. These are accruals of project costs such as equipment charges, materials, labor, overhead and provision for repairs and maintenance.

Accrued various operating expenses include accruals for supplies, commissions, transportation and travel, insurance, representation, dues and fees and others.

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

Liability for purchased land pertains to the current portion of unpaid unsubdivided land acquired payable during the year. These are normally payable in quarterly or annual installment payments or upon demand.

Retentions payable pertains to the amount withheld by ALI Group on contractor's billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in the project.

15. Other Current and Noncurrent Liabilities

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Other current liabilities	P 25,947,501	P 26,596,440
Other noncurrent liabilities	P 54,319,832	P 52,775,650

Other current liabilities include the following:

- a) Deposits 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 and excess of collections over the recognized receivables based on percentage of completion.
- b) Nontrade payables pertain mainly to non-interest bearing real estate-related payables to contractors and various non-trade suppliers which are due within one year. This account also includes liabilities of the power group for various purchases such as additions to property, plant and equipment and spare parts.
- c) Financial liabilities on put option relate to the acquisition of VIA, STI and C-CON.
The put options of VIA pertain to the right of the non-controlling shareholder to sell to IMI a portion of its shareholding that is approximately 5% of the issued and outstanding nominal share capital of VIA within the first and third anniversary of the agreement (5% put option) and all remaining shares held by the non-controlling shareholder upon the happening of certain trigger events (exit put options). The 5% put option is exercisable any time between the 1st and 3rd anniversary of the agreement or if prior to the 3rd anniversary, the share capital of VIA is increased, the 5% put option may be exercised within three months from registration of the capital increase. The exit put options are exercisable when there is a termination for a cause of the service agreement or the share capital of VIA is increased that will dilute the holding of non-controlling interest to below 10%. In 2020, the put options of VIA was terminated in accordance with the amendment in the shareholders' agreement.

STI

The put option of STI pertains to the right of the non-controlling shareholder to sell to IMI all noncontrolling interests held upon the happening of certain trigger events as specified in the shareholders agreement. The put option of STI is exercisable during the period commencing upon the earlier of: (1) No Fault Leaver Event (i.e., First Founder of STI ceases to be an employee of a member of the STI Group) occurring in respect of a Founder, (2) the aggregate relevant proportion of the Founders falling to less than 5%, or (3) the fifth anniversary of the service agreement.

C-CON

Minority shareholder of C-CON Group have the right to require MT Technologies to purchase and acquire all its shares. The option can be exercised after the holding period, which is defined as the 8th anniversary year after the acquisition date, April 1, 2019. Based on the management's judgment, the put options will be exercised by the minority shareholders on April 1, 2027 or the 8th anniversary year after the acquisition date.

- d) Contract liabilities includes short-term advances received to render manufacturing services. Contract liabilities are recognized as revenue when the Group performs under the contract.

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 three (3) to six (6) months' rent of long-term tenants with non-cancellable 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. This also includes customers' deposits which consist of excess of collections over the recognized receivables based on percentage of completion. 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.

This account also consists of power group's security deposits from RES customers refundable at the end of the contract.

b) Retentions payable

Retentions payable pertains to amount withheld by the Group from the contractors' billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in projects requiring rework.

c) Contractors payable

Contractors payable represents accrued costs incurred for property development that are not yet billed.

d) Liability for purchased land

Liability for purchased land pertains to the portion of unpaid unsubdivided land acquired during the year. These are normally payable in quarterly or annual installment payments within three (3) or five (5) years.

e) Deferred output VAT

Deferred output VAT pertains to output VAT on receivables for which sales recognition has been deferred based on sales collection threshold for VAT recognition purposes.

f) Subscriptions payable

Subscription payable mainly pertains to ALLHC's investment in Cyber Bay.

g) Others

Others include nontrade payables. This includes nontrade payables from over remittance of business interruption claims and environmental laws compliance of the power sector.

Decrease in other current liabilities is attributable to ALI's movement in unrealized revenues. The increase in other noncurrent liabilities is attributable to ALI's movements in deferred revenues on residential units and customers deposits.

16. Short-term and Long-term Debt

These accounts consist of the following:

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Short-term debt - Subsidiaries:		
Philippine peso with various interest rates	₱ 42,771,403	₱ 21,791,882
Foreign currency with various interest rates	9,453,801	10,647,625
	₱ 52,225,204	₱ 32,439,507
Long-term debt:		
The Parent Company:		
Loans from banks & other institutions:		
Bank loans with various interest rates	₱ 40,115,229	₱ 40,884,551
Bonds	39,764,847	39,757,939
	79,880,076	80,642,490
Subsidiaries:		
Loans from banks & other institutions:		
Philippine Peso with various interest rates	104,650,048	95,886,763
Foreign currency with various interest rates	34,908,911	15,434,094
Bonds	108,207,827	126,365,414
Fixed for life bonds	64,977,677	48,455,104
Green bonds	59,479,162	36,880,885
Fixed Rate Corporate Notes (FXCNs)	4,662,500	5,650,000
	376,886,125	328,672,260
	456,766,201	409,314,750
Less current portion	43,763,189	36,514,381
Non-current portion	₱ 413,003,012	₱ 372,800,369

For the nine-month period ending September 30, 2021 (unaudited), total proceeds from availment of short-term and long-term debt amounted to ₱237.5 billion which consists mainly of proceeds from bonds and loans of AC (₱39.5 billion), ALI (₱123.3 billion), AC Energy (₱35.9 billion), IMI (₱6.7 billion), AC Health (₱1.1 billion), AYCFL (₱30.2 billion) and MWC (₱0.8 billion), while payments of short-term and long-term debt amounted to ₱182.3 billion which mainly pertains to bonds settlement and loan payment of AC (₱33.2 billion), ALI (₱119.2 billion), AC Energy (₱11.4 billion), IMI (₱3.4 billion), MWC (₱2.4 billion) and AYCFL (₱12.3 billion).

The Group has short-term and long-term debt payable to BPI amounting to ₱51.3 billion and ₱38.5 billion as of September 30, 2021 (unaudited) and December 31, 2020 (audited), respectively (see Note 23). Interest expense incurred from these debts amounted to ₱925.5 million and ₱598.7 million for the periods ended September 30, 2021 and 2020 (both unaudited), respectively (see Note 23).

Loans availed during the nine-month period ending September 30, 2021 have varying interest rates and maturity dates. Proceeds of loans were used for operating requirements, capital expenditures and certain investment acquisitions (see Note 3).

Parent Company

Generally, the Parent Company's long-term loans are unsecured. Due to certain regulatory constraints in the local banking system regarding loans to directors, officers, stockholders and related interest, some of the Parent Company's credit facilities with a local bank are secured by shares of stock of a subsidiary in accordance with BSP regulations. A portion of the Parent Company's loans with BPI are also secured by dollar deposits of a subsidiary amounting to nil and ₱4.1 billion as of September 30, 2021 (unaudited) and December 31, 2020 (audited) (see Note 23). All credit facilities of the Parent Company outside of this local bank are unsecured, and their respective credit agreements provide for this exception.

The Parent Company positions its deals across various currencies, maturities and product types to provide utmost flexibility in its financing transactions.

Below is the summary of the outstanding Peso bonds issued by the Parent Company:

Year Issued	Term	Interest Rate	Principal Amount (In Thousands)	Carrying Value (In Thousands)		Features
				September 2021 (Unaudited)	December 2020 (Audited)	
2011	10 years	6.8000%	₱9,903,400	₱ -	₱ 9,898,507	20% balance puttable on the 5 th anniversary of the issue date; balance puttable on the 8 th anniversary issue date.
2012	15 years	6.8750%	10,000,000	9,963,890	9,959,081	Callable from the 10 th anniversary issue until every year thereafter until the 14 th anniversary issue date.
2016	7 years	3.9200%	10,000,000	9,970,217	9,958,183	Callable from the 5.5 th anniversary issue until every year thereafter until the 7 th anniversary issue date.
2017	8 years	4.8200%	10,000,000	9,951,898	9,942,168	Callable from the 6.5 th anniversary issue until every year thereafter.
2021	3 years	3.0260%	4,000,000	3,952,992	-	3-year fixed coupon Series A bond with no call option.
2021	5 years	3.7874%	6,000,000	5,925,850	-	5-year fixed coupon Series B bond callable on the 12 th to 19 th interest payment date with a call option price of 101.0% on the 12 th to 15 th interest payment date and 100.5% on the 16 th to 19 th interest payment date.
				₱39,764,847	₱39,757,939	

The outstanding Peso bonds of the Parent Company have been rated “PRS Aaa” by PhilRatings.

Loan Agreement with BPI

On January 8, 2021, the Parent Company entered into a US\$10.0 million loan agreement at 1% per annum with BPI which matured on April 8, 2021. On April 8, 2021, the loan was renewed at 1.2% per annum and matured on July 8, 2021. The Parent Company entered into a foreign currency swap with a local bank for the same amount to mitigate the foreign currency exposures arising from these USD borrowings converted to Philippine peso. A foreign currency swap worth US\$10.0 million (sell spot/buy forward, designated as the hedging instrument) was contracted with a foreign bank counterparty at an initial exchange rate of US\$ to PhP of 48.07 on January 8, 2021, and a final exchange rate of US\$ to PhP of 48.175 on April 8, 2021. Upon renewal of the loan on April 8, 2021, a foreign currency swap worth US\$10.0 million (sell spot/buy forward, designated as the hedging instrument) was contracted with a foreign bank counterparty at an initial exchange rate of US\$ to PhP of 48.57 on April 8, 2021, and a final exchange rate of US\$ to PhP of 48.705 on July 8, 2021. The Parent Company assessed the hedge to be highly effective; changes in fair value of the hedge are included in the derivative asset and equity accounts (see Notes 8 and 22).

On August 20, 2021 and September 15, 2021, the Parent Company entered into loan agreements at 1.9% per annum with BPI amounting to ₱4.0 billion each with maturity of one month.

Bond Redemption

On May 12, 2021, the Parent Company's ₱10 billion, 6.80% Fixed Rate Multiple Put Bonds Due 2021 (the "Bonds") with outstanding balance of ₱9,903.4 million (net of ₱96.6Mn redeemed via Put Option exercised by Bondholders on May 12, 2019) was fully redeemed in accordance with the Prospectus and the Terms and Conditions of the Bonds annexed to the Trust Indenture dated May 2, 2011. The Bonds were redeemed by payment in cash of the redemption price set at 100% of the Issue Price plus all accrued and unpaid interest based on the coupon rate of 6.80% per annum. The payment was made through the Philippine Depository & Trust Corporation, the appointed registrar and paying agent for the Bonds.

Issuance of Fixed Rate Bonds

On March 9, 2021, the BOD of Parent Company approved the issuance of fixed rate bonds in the aggregate principal amount of up to ₱6.0 billion with an oversubscription option of up to an

additional ₱4.0 billion, which will constitute the first tranche of the Parent Company's ₱30 Billion shelf registration that had been earlier approved by the BOD and that will be filed with the SEC.

On March 30, 2021, the Parent Company filed with the SEC a Registration Statement for the proposed public distribution and sale of debt securities with an aggregate principal amount of up to ₱30.0 Billion to be issued in one or more tranches (the "Debt Securities Program") under the shelf registration program of SEC. The first tranche under the Debt Securities Program, once approved, will be the proposed issuance of Fixed Rate Bonds in the aggregate principal amount of up to ₱6.0 Billion with an oversubscription option of up to an additional ₱4.0 Billion, consisting of Series A bonds due 2024 and Series B bonds due 2026.

On May 17, 2021, the Parent Company received the Order of Registration from the SEC covering the Parent Company's ₱30.0 Billion Debt Securities Program and the Certificate of Permit to Offer Securities for Sale of the first tranche (the "First Tranche") under the Debt Securities Program. The First Tranche has an aggregate principal amount of up to ₱10.0 Billion with a base offer of up to ₱6.0 Billion and an oversubscription option of up to an additional ₱4.0 Billion. The First Tranche consists of 3.0260% Series A Bonds due 2024 and 3.7874% Series B Bonds due 2026, (the "Series A Bonds", together with the "Series B Bonds", collectively the "Bonds"). Interest on the Bonds will be payable quarterly. The minimum investment amount is set at ₱50,000.00 and in additional increments of ₱10,000.00, thereafter.

The offer period ran from May 17 to 21, 2021. The Bonds were issued and listed at the Philippine Dealing & Exchange Corp. ("PDEX") on May 28, 2021.

The proceeds would be used to refinance select Philippine peso-denominated obligations and partially to finance capital expenditures.

The Bonds obtained the highest issue credit rating of PRS Aaa from the Philippine Rating Services Corporation. Obligations rated PRS Aaa, are of the highest quality with minimal credit risk. A PRS Aaa rating signifies that the obligor's capacity to meet its financial commitment vis-à-vis the obligation is extremely strong.

On May 28, 2021, the Parent Company submitted a Notice of Completion of Offer confirming that:

1. The Bonds were offered in accordance with the Certificate of Permit to Sell issued by the Commission on May 12, 2021.
2. The results of the Offer, based on the aggregate principal amounts, are as follows:

Type of Investor	Series A Bonds	Series B Bonds
Individuals	₱ 1,631,980,000	₱ 2,659,440,000
Corporate/Institutions	2,368,020,000	3,340,560,000
Total	₱ 4,000,000,000	₱ 6,000,000,000

The Notice of Completion of Offer is submitted pursuant to Section 8.1.1.6 of the 2015 Implementing Rules and Regulations of the Securities Regulation Code and in compliance with the SEC's pre-effective letter dated May 11, 2021.

The long-term debt of the Parent Company provides for certain restrictions and requirements with respect to maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Parent Company as of September 30, 2021 and December 31, 2020 (see Compliance with debt covenants portion).

ALI

In compliance with Bangko Sentral ng Pilipinas (BSP) rules on directors, officers, stockholders and related interests, certain short-term and long-term debt with a carrying value of ₱11,262 million and ₱13,231 million as of September 30, 2021 (unaudited) and December 31, 2020 (audited) are secured by real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall.

On August 17, 2021, the ALI's BOD approved the raising of an additional ₱9 billion in debt capital through the issuance of retail bonds and/or corporate notes for listing on the Philippine Dealing and

Exchange Corporation, and/or bilateral term loans. This will bring ALI's total approval to ₱50 billion primarily to refinance outstanding loans and partially finance general corporate requirements.

Philippine Peso 7-Year and 10-year Bonds due 2019 and 2022

In April 2012, ALI issued a total of ₱15,000.0 million bonds, broken down into a ₱9,350.0 million bond due 2019 at a fixed rate equivalent to 5.6% p.a. and a ₱5,650.0 million bond due 2022 at a fixed rate equivalent to 6.0% p.a. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. ALI fully paid the ₱9,350.0 million bond in April 2019.

Philippine Peso 5-year and 10-year and 6-month Bonds due 2024

In July 2013, ALI issued a total of ₱15,000.0 million bonds due 2024 at a fixed rate equivalent to 5.0% p.a. Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a "AAA" on the bonds indicating that it has a minimal credit risk owing to the Company's capacity to repay its debt obligations. In 2019, ALI issued a total of ₱3,000.0 million bonds due 2024 at a fixed rate equivalent to 4.758% p.a. under its new shelf registration. On July 30, 2021, ALI exercised the call option to fully redeem the ₱15,000.0 million bonds.

Philippine Peso 7-Year and 20-year Bonds due 2020 and 2033

In October 2013, ALI issued a total of ₱6,000.0 million bonds, broken down into a ₱4,000.0 million bond due 2020 at a fixed rate equivalent to 4.6% p.a. and a ₱2,000.0 million bond due 2033 at a fixed rate equivalent to 6.0% p.a. CRISP assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to ALI's capacity to repay its debt obligations. ALI fully paid the ₱4,000.0-million bond in October 2020.

Philippine Peso 7.0 Billion Fixed Rate Bonds due 2022

In April 2015, ALI issued a total of ₱7,000.0 million bonds due 2022 at a fixed rate equivalent to 4.5% p.a.

Philippine Peso 11-year Bonds due 2025

In April 2014, ALI issued a total of ₱8,000.0 million bonds due 2025 at a fixed rate equivalent to 5.6% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings. ALI exercised the call option for the early redemption of the Bonds on April 26, 2021.

Philippine Peso 9-year and 6-month Bonds due 2025

In April 2016, ALI issued a total of ₱7,000.0 million bonds due 2025 at a fixed rate equivalent to 4.75% p.a. The Bonds is the second tranche of the Fixed-rate Bonds Series under ALI's ₱50,000.0 million Debt Securities Program registered in the SEC.

Philippine Peso 7-year and 10-year Bonds due 2026

In March 2016, ALI issued a total of ₱8,000.0 million bonds due 2026 at a fixed rate equivalent to 4.85% p.a. The Bonds is the first tranche of the Fixed-rate Bonds Series under ALI's ₱50,000 million Debt Securities Program registered in the SEC. In May 2019, ALI issued an ₱8,000.0 million fixed rate bond due 2026 at a rate equivalent to 6.369% p.a. The Bonds represent the first tranche of debt securities issued under the Parent Company's new ₱50,000.0 million Debt Securities Program registered with the SEC and listed on the PDEX.

Philippine Peso 3-Year Homestarter Bond due 2019 and 7-year Bonds due 2023

In October 2016, ALI issued a total of ₱10,000.0 million bonds, broken down into a ₱3,000.0 million Homestarter bond due 2019 at a fixed rate of 3.0% per annum and a ₱7,000.0 million fixed rate bond due 2023 at a rate equivalent to 3.8915% per annum. The Bonds represent the first tranche of Homestarter Bonds series and the third tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC and listed in the PDEX. In 2017, ALI paid ₱9.1 million as an early down payment of the outstanding 3-Year Homestarter Bond. In 2018, ALI paid ₱8.4 million as an early down payment of the outstanding 3-Year Homestarter Bond. ALI fully paid the remaining Homestarter Bond on October 21 and December 23, 2019.

Philippine Peso 7-year and 3-month and 10-year Bonds due 2027

In May 2017, ALI issued a ₱7,000.0 million fixed rate bond due 2027 at a rate equivalent to 5.2624% p.a. The Bonds represent the fourth tranche of the Fixed-rate Bonds Series issued under the ALI's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in PDEX. In November 2019, ALI issued a ₱1,000.0 million fixed rate bond due 2027 at a rate equivalent to 4.9899 % p.a. This was the third tranche of bonds issued under the new ₱50,000.0 million shelf registration of ALI.

Philippine Peso 10-year Bonds due 2028

In April 2018, ALI issued a ₱10,000.0 million fixed rate bond due 2028 at a rate equivalent to 5.9203% per annum and subject to repricing on 27 April 2023, the fifth anniversary of the Issue Date, at the higher of 5.9203% or the prevailing 5-year benchmark plus 75 bps. The Bonds represent the fifth tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC and listed in the PDEX.

Philippine Peso 5-year Bonds due 2023

In October 2018, ALI issued a ₱8,000.0 million fixed rate bond due 2023 at a rate equivalent to 7.0239% per annum. The Bonds represent the sixth and final tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEX.

Philippine Peso 2-year Bonds due 2021 and 2022

On November 6, 2019, ALI issued a ₱9,000.0 million fixed rate bond due 2021 at a rate equivalent to 4.2463% per annum. The Bonds form part of the third tranche of debt securities issued under ALI's new ₱50,000.0 million Debt Securities Program registered with the SEC and listed on PDEX.

In June 2020, ALI issued a ₱10,000.0 million, 2-year fixed-rate bond due 2022 with a coupon rate of 3.00% per annum. This was the fourth tranche of bonds issued under the 2019 ₱50,000.0 million shelf registration of ALI.

Philippine Peso 5-year Bonds due 2025

In September 2020, ALI issued a ₱6,250.0 million fixed rate bond due 2025 at a rate equivalent to 3.862% per annum. The Bonds represent the fifth tranche of the new ₱50,000.0 million debt securities program approved by the SEC in May 2019.

Philippine Peso 4-year Bonds due 2025

In May 2021, ALI issued a ₱10,000.0 million fixed rate bond due 2025 at a rate equivalent to 3.6262% p.a. The Bonds represent the sixth tranche of ALI's new ₱50,000.0 million Debt Securities Program approved by the SEC in May 2019, the issuance pioneered the utilization of the e-Securities Issue Portal (e-SIP). The bond was listed on the PDEX and have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5.0 Billion Fixed Rate Bonds due 2021

In June 2014, CHI, an ALI's subsidiary, issued a total of ₱5,000.0 million bonds due 2021 at a fixed rate equivalent to 5.32% per annum. The Bonds were fully paid upon its maturity on June 7, 2021.

AYCFL

2021 US\$400 Million Senior Fixed-for-Life Perpetual Notes (the Notes)

On September 16, 2021, the Parent Company announced that it had successfully set the terms for a US dollar-denominated fixed-for-life (non-deferrable) senior perpetual issuance. The Notes have an aggregate principal amount of US\$400 million with a fixed coupon of 3.90% for life, with no step-up and no reset, payable semi-annually. The Notes will be issued by AYCFL (the Issuer) and will be unconditionally and irrevocably guaranteed by the Parent Company. The Notes were priced at par with a re-offer yield of 3.90%, which represents a 40 basis points compression from the initial price guidance of 4.30%. The final order book was over US\$1.75 billion (4.4x oversubscribed), supported by a wide range of high-quality investors. The transaction was settled on September 23, 2021.

The net proceeds from the Notes were used to refinance the Issuer's outstanding US dollar-denominated guaranteed undated notes including, among others, the US\$100 million in aggregate

principal amount of its 5.125% Undated Notes and US\$35 million in aggregate principal amount of its 4.85% Undated Notes. Aggregate amounts of US\$300 million and US\$365 million, respectively, remained outstanding after payment.

2019 US\$400.0 Million Senior Unsecured and Guaranteed Fixed For Life Perpetual Notes (Fixed For Life)

On October 23, 2019, the Parent 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 (₱20,118.9 million) with a fixed coupon of 4.850% for life with no step-up and no reset, payable semi-annually. The bonds will be issued by AYCFL and will be unconditionally and irrevocably guaranteed by the Parent Company. The bonds were priced at par with a re-offer yield of 4.850%, reflecting a 27.5 basis points compression from the initial price guidance. The final order book was over four times oversubscribed with the order book allocated predominantly to Asia, with the rest to Europe, reflecting the strong investors' confidence in the Ayala name. By investor type, more than half of the offering was allocated to fund managers, insurance companies and pension funds, around one-quarter to banks and financial institutions and the remainder to private banks. The transaction was settled on October 30, 2019.

In September 2021, the aggregate principal amount of US\$35 million of this 4.85% Undated Notes was paid and the aggregate amount of US\$365 million remained outstanding after payment.

2017 US\$400.0 Million Senior Unsecured and Guaranteed Fixed For Life Perpetual Notes (Notes)

On September 7, 2017, the Parent Company announced that AYCFL 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 (₱20,171.9 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 Parent 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 cost of issuance is at US\$2.7 million resulting in net proceeds of US\$397.3 million.

In September 2021, the aggregate principal amount of US\$100 million of this 5.125% Undated Notes was paid and the aggregate amount of US\$300 million remained outstanding after payment.

Loss on the tender offer settlement of the US\$135 million notes amounted to ₱281.8 million and is part of Interest and Other Financing Charges account.

US Dollar-denominated Long-term Loans

In April 2021, AYCFL drew a US\$200.0 million from its transferrable long-term loan facility with foreign banks with an interest repricing date of three months. The proceeds were used to fully redeem AYCFL's redeemable preferred shares held by AC Renewables International Pte. Ltd. (ACRI) (see Note 3). In September 2021, AYCFL made its second principal payment for the US\$20.0 million loan which amounted to US\$5.0 million. The outstanding balance of the loan amounted to ₱10.7 billion as of September 30, 2021.

AC Energy

FFL Bonds

On November 27, 2019, the ACEIC Group also issued US dollar-denominated fixed-for-life (FFL Bonds) through AC Energy Finance International (ACEFIL) at an aggregate principal amount of

US\$400.00 million (₱20,300.0 million) with a fixed coupon of 5.65 % for life and with no step-up and no reset.

There is no property owned by the Group that was pledged as collateral to these loans. ACEIC plans to deploy the funds for renewable energy expansion across the Asia Pacific region to include the Philippines, Indonesia, Vietnam, Myanmar, India and Australia, among others.

ACEFIL may redeem the senior undated guaranteed notes (in whole but not in part) on December 4, 2022 or any interest payment date thereafter at the principal amount plus any accrued but unpaid interest (the "Redemption Price").

On December 2, 2020, ACEFIL successfully completed the tender of US\$186.89 million 5.65% senior undated guaranteed notes.

Green Bonds

ACEN Finance - Medium Term Note (MTN) Programme

On August 31, 2021, ACEN Finance Limited (ACEN Finance) established its MTN Programme with an aggregate amount of US\$1,500.00 million. The proceeds from each issue under the MTN Programme will be used for general corporate purposes, including but not limited to, working capital, funding investment activities, development of projects, refinancing and/or repayment of indebtedness and on-lending activities within the ACEN Group. Notes to be issued out of the MTN Programme designated as Green Bonds may be allocated towards the financing and/or refinancing of Eligible Green Projects in accordance with certain prescribed eligibility criteria described under ACEN's Green Bond Framework.

The Notes to be issued by ACEN Finance under its medium-term note program; may be distributed by way of private or public placement; and will be listed on the Singapore Exchange Securities Trading platform (SGX-ST).

As of September 30, 2021, ACEN Finance has issued US\$400.00 million senior guaranteed undated notes under the MTN Programme.

ACEN Finance - Senior guaranteed undated FFL notes (Notes) under the MTN Programme

On September 8, 2021, ACEN Finance issued US\$400 million senior undated fixed-for-life (non-deferrable) Notes guaranteed by ACEN with a fixed coupon of 4% for life, with no step-up and no reset, priced at par. An amount equal to the net proceeds will be used to finance or refinance, in whole or in part, new or existing Eligible Green Projects in accordance with ACEN's Green Bond Framework. On September 9, 2021, the Notes were listed with the SGX-ST.

Pricing for the Notes was at 4.0%, which was 45 basis points tighter than the initial price guidance. The final order book volume exceeded US\$2.0 billion (more than 5 times oversubscribed), attracting a wide range of high-quality investors.

On August 25, 2021, the Philippine SEC confirmed that the Notes comply with the requirements under the ASEAN Green Bonds Circular and qualify as an ASEAN Green Bond Issuance.

ACEFIL - Medium Term Note (MTN) Programme

On January 16, 2019, ACEFIL established its MTN Programme with an aggregate amount of US\$1,000.00 million (₱48,470.00 million). The proceeds from each issue under the MTN Programme will be used for general corporate purposes, including eligible green projects and other use of proceeds under ACEFIL's green bond framework.

On November 17, 2020, ACEFIL amended the MTN Programme to increase the aggregate amount to US\$2,000.00 million (₱94,960.00 million) and allow the issuance of senior undated guaranteed notes under the MTN Programme.

ACEFIL - Senior guaranteed notes due 2024 and 2029 and Senior undated guaranteed notes under the MTN Programme

On January 29, 2019, ACEFIL issued US\$225.00 million (₱10,905.75 million) senior guaranteed notes due 2024 guaranteed by ACEIC with a fixed coupon of 4.75%. The notes were priced at 99.45.

On February 12, 2019, ACEFIL issued US\$75.00 million (₱3,635.25 million) senior guaranteed notes to International Finance Corporation (IFC) due 2024 with a fixed coupon of 4.75%. The notes were priced at 99.998. On the same date, ACEFIL issued US\$110.00 million (₱5,331.70 million) senior guaranteed notes due 2029 with a fixed coupon of 5.25%. The notes were priced at 99.616. Both notes due 2024 and 2029 were issued under the MTN Programme and are guaranteed by ACEIC.

On the July 9, 2020, ACEFIL issued US\$60.00 million (₱2,908.20 million) senior guaranteed notes due 2029 guaranteed by ACEIC with a fixed coupon of 4.75%. The notes were priced at 104.75.

On November 25, 2020, ACEFIL issued US\$300.00 million (₱14,541.00 million) senior undated guaranteed notes with a fixed coupon of 5.10% for life. The notes were priced at par. The new issue was used to finance the successful tender of US\$186.89 million (₱9,058.45 million) of the US\$400.00 million (₱19,388.00 million) 5.65% senior undated guaranteed notes at a tender price of 104.

At any time, ACEFIL may on any one or more occasions redeem all or part of the “notes under the MTN Programme”, by giving notice, at redemption price equal to 100% of the principal amount of the “notes under the MTN Programme” redeemed, plus the applicable premium (as defined in the respective pricing supplements) as of date, and accrued and unpaid interest, if any, to the date of redemption, subject to the rights of the person in whose name the “notes under the MTN Programme” is registered on the relevant record date to receive interest due on the relevant interest payment date.

AC Infra

In January to August 2021, LRMC made various drawdowns totalling to ₱3.8 billion against its Omnibus Loan and Security Agreement (OLSA) facility with local banks with interest rates ranging from 6.5445% to 7.4635%. The drawdowns are made to finance the Engineering, Procurement and Construction (EPC) payments for the period September 30, 2021.

Compliance with debt covenants

The loan agreements on long-term debt of the Parent Company and some subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as of September 30, 2021 and December 31, 2020. For the Parent Company, these covenants include, among others, certain ratios like:

- Debt to equity ratio of not to exceed 3.0:1.0
- Net debt to tangible networth ratio of not to exceed 3.0:1.0
- Current ratio of not lower than 0.5:1.0

17. Equity

Details of the Parent Company's paid-in capital:

	Preferred Shares - A	Preferred Shares - B	Voting Preferred Shares	Common Shares	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital	Treasury Shares
					(In Thousands)				
At January 1, 2021 (Audited)	₱1,200,000	₱5,800,000	₱ 200,000	₱31,437,119	₱ 220,891	₱48,997,024	₱(2,241,090)	₱85,613,944	₱ (6,605,153)
Exercise/Cancellation/Subscription of ESOP/ESOWN	-	-	-	36,516	-	506,342	-	542,858	-
Collection of subscription receivables	-	-	-	-	-	-	(227,936)	(227,936)	-
Buyback of common shares	-	-	-	-	-	-	-	-	(5,777,364)
At September 30, 2021 (Unaudited)	₱1,200,000	₱5,800,000	₱ 200,000	₱31,473,635	₱ 220,891	₱49,503,366	₱(2,469,026)	₱85,928,866	₱(12,382,517)

	Preferred Shares - A	Preferred Shares - B	Voting Preferred Shares	Common Shares	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital	Treasury Shares
					(In Thousands)				
At January 1, 2020 (Audited)	₱ 1,200,000	₱ 5,800,000	₱200,000	₱ 31,341,660	₱ 216,453	₱ 47,837,246	₱ (1,719,134)	₱ 84,876,225	₱(5,737,896)
Re-issuance of redeemed Preferred B Series 2 shares						(920)		(920)	-
Exercise/Cancellation/Subscription of ESOP/ESOWN	-	-	-	27,125	72,772	1,160,698	(685,100)	575,495	-
Issuance of shares upon full payment of subscription	-	-	-	68,334	(68,334)	-	-	-	-
Collection of subscription receivables	-	-	-	-	-	-	163,144	163,144	-
Buyback of common shares	-	-	-	-	-	-	-	-	(867,257)
At December 31, 2020 (Audited)	₱ 1,200,000	₱ 5,800,000	₱200,000	₱ 31,437,119	₱ 220,891	₱ 48,997,024	₱ (2,241,090)	₱ 85,613,944	₱(6,605,153)

Employee Stock Option Plan (ESOP) / Employee Stock Ownership Plan (ESOWN)

- a) On March 31, 2021, the Parent Company issued 25,377 common shares under its ESOP. In view of the foregoing issuance of shares, the number of issued and outstanding common shares are 633,185,555 and 627,440,701, respectively.
- b) On May 3, 2021, the Parent Company issued 146,099 common shares under its ESOP. In view of the foregoing issuance of shares, the number of issued and outstanding common shares are 633,331,654 and 627,586,800, respectively.
- c) Further to the disclosure dated April 23, 2021, on the grant of stock options under the ESOWN (see Part II – Other information section), 28 grantees subscribed to 558,849 common shares at ₱749.47 per share on May 25, 2021. The option price is the rounded-off volume-weighted average prices of the common shares at the Philippine Stock Exchange over the 5-day trading period beginning April 16, 2021 and ending April 22, 2021. As a result of the subscription of the 28 stock option grantees, the numbers of the issued and outstanding common shares are now 633,890,503 and 628,145,649, respectively.

Treasury Shares

On May 26, 2021, the Parent Company purchased its 8,450,000 common shares at ₱683.12 price per share from an institutional investor pursuant to the share buyback program approved by the BOD on December 5, 2019. Outstanding common shares and treasury shares-common after the transaction are 619,695,649 and 14,194,854, respectively.

Retained Earnings

The reconciliation of Retained Earnings available for dividend declaration shows the following as of September 30, 2021 and December 31, 2020:

	September 2021 (Unaudited)	December 2020 (Audited)
	In Thousands	
Unappropriated Retained earnings, as adjusted to available for dividend distribution, beginning	₱ 45,880,013	₱ 46,534,196
Add: Net income actually earned/realized during the period - Parent co.	2,969,768	4,554,651
Add (Less):		
Dividend declarations during the period	(3,091,850)	(4,341,577)
Treasury shares	(5,777,364)	(867,257)
	(8,869,214)	(5,208,834)
Retained earnings available for dividends	₱ 39,980,567	₱ 45,880,013

On July 15, 2021, the Parent Company's BOD, at its regular meeting, approved the declaration of regular cash dividend of ₱3.46 per common share. This cash dividend was for the first semester ended June 30, 2021. The record date was July 29, 2021, and payment date was August 13, 2021.

In January 2021, the Parent Company declared cash dividends to its Preferred B Series 1 and Series 2 shareholders amounting to ₱131.3 million and ₱180.8 million, respectively.

On April 7, 2021, the Parent Company's BOD approved the following declaration of cash dividends:

- a) The second quarter cash dividends on our outstanding Preferred "B" Series 1 Shares amounting to ¼ of 5.2500% per annum, or ₱6.56250 per share, based on the issue price of the shares. The record date was April 22, 2021, and payment date was on May 15, 2021.
- b) The annual cash dividends on our outstanding voting preferred shares amounting to 5.7730% of issue price or ₱0.05773 per share. The record date was April 26, 2021, and payment date was on May 20, 2021.

On April 23, 2021, the Parent Company's BOD approved the declaration of the second quarter cash dividends on its outstanding Preferred "B" Series 2 Shares amounting to $\frac{1}{4}$ of 4.8214% per annum, or ₱6.02675 per share, based on the issue price of the shares. The record date was May 7, 2021, and payment date was on May 29, 2021.

On July 19, 2021, the Parent Company's BOD approved the declaration of the third quarter cash dividends on its outstanding Preferred "B" Series 1 Shares amounting to $\frac{1}{4}$ of 5.2500% per annum, or ₱6.56250 per share, based on the issue price of the shares. The record date was August 3, 2021, and payment date was on August 15, 2021.

On July 30, 2021, the Parent Company's BOD approved the declaration of the third quarter cash dividends on its outstanding Preferred "B" Series 2 Shares amounting to $\frac{1}{4}$ of 4.8214% per annum, or ₱6.02675 per share, based on the issue price of the shares. The record date was August 13, 2021, and payment date was on August 29, 2021.

The details on the dividends declared by the Parent Company for the period ended September 30, 2021 and 2020 are shown below.

	Per Share		Amount	
	September 2021 (Unaudited)	September 2020 (Unaudited)	September 2021 (Unaudited)	September 2020 (Unaudited)
(In Thousands)				
Dividends to common shares declared during the year:	₱ 3.46	₱ 3.46	₱ 2,144,147	₱ 2,170,721
Dividends to equity preferred shares declared during the year				
Preferred B Series 1	₱19.68750	-	₱ 393,750	₱ -
Preferred B Series 2	18.08025	-	542,407	-
Voting Preferred shares	0.05773		11,546	-

Capital Management

The primary objective of the Parent Company's capital management policy is to ensure that it maintains a robust balance sheet in order to support its business and maximize shareholder value.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the periods ended September 30, 2021 and December 31, 2020.

The Parent Company monitors capital using a gearing ratio of debt to equity and net debt to equity. Debt consists of short-term and long-term debt of the Group. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and restricted cash of the Group. The Parent Company considers as capital the total equity.

	September 2021 (Unaudited)	December 2020 (Audited)
(Amounts in Thousands)		
Short-term debt	₱ 52,225,204	₱ 32,439,507
Long-term debt	456,766,201	409,314,750
Total debt	508,991,405	441,754,257
Less:		
Cash and cash equivalents	124,875,897	88,653,955
Short-term investments	1,045,857	822,410
Restricted cash	-	5,195,377
Net debt	383,069,651	347,082,515
Total equity	₱550,604,221	₱542,422,111
Debt to equity	92.4%	81.4%
Net debt to equity	69.6%	64.0%

The loan agreements on long-term debt of the Parent Company and some subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as of September 30, 2021 and December 31, 2020.

Due to certain constraints in the local banking system regarding loans to directors, officers, stockholders and related interest (DOSRI), some of the Parent Company's credit facilities with a local bank are secured by US dollar cash in accordance with BSP regulations. Any outstanding loan amount, as well as the interest, all other charges and expenses, shall be secured by an assignment of US dollar denominated deposits (thru its financing arm AYCFL, see Note 16) and remain on holdout by the bank for as long as the loan is outstanding at a collateral to loan ratio of 1:1, which the borrower agrees to maintain at all times.

The Parent Company also monitors capital through return-to-common equity ratio. For this ratio, the Parent Company considers as capital the average amount of equity with the exclusion of accounts pertaining to preferred shares and the non-controlling interests.

	September 2021 (Unaudited)	September 2020 (Unaudited)
	(In Thousands)	
Net income attributable to owners of the parent	₱ 19,358,840	₱ 11,367,534
Less:		
Dividends to equity preferred shares	947,703	947,703
Net income attributable to common shares owners of the parent	18,411,137	10,419,831
Average common equity attributable to owners of the parent	₱321,693,416	₱ 307,898,630
Return to common equity	5.7%	3.4%

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:

	2021		2020	
	July to Sept.	Jan. to Sept.	July to Sept.	Jan. to Sept.
	(In Thousands, except EPS figures)			
Net income attributable to the owners of the Parent Company				
Continuing operations	₱ 8,876,502	₱ 19,094,213	₱2,679,679	₱ 10,260,376
Segment under PFRS 5	84,977	264,627	743,954	1,107,158
Less: Dividends on preferred stock	(312,052)	(947,703)	(312,053)	(947,704)
	8,649,427	18,411,137	3,111,581	10,419,831
Less profit impact of assumed conversions of potential ordinary shares of investees	(9,645)	(38,484)	(8,046)	(28,135)
	₱ 8,639,781	₱ 18,372,652	₱3,103,535	₱ 10,391,696
Weighted average number of common shares	623,571	623,571	626,753	626,753
Dilutive shares arising from stock options	878	878	558	558
	624,449	624,449	627,310	627,310
EPS before operations of segment under PFRS 5				
Basic	₱ 13.76	₱ 29.04	₱ 3.76	₱ 14.81
Diluted	₱ 13.74	₱ 29.00	₱ 3.76	₱ 14.80
EPS				
Basic	₱ 13.90	₱ 29.46	₱ 4.95	₱ 16.58
Diluted	₱ 13.88	₱ 29.42	₱ 4.94	₱ 16.57

19. Revenue

This account consists of:

	September 2021 (Unaudited)	September 2020 (Unaudited)
	(In Thousands)	
Revenue from contracts with customers		
Real estate	₱ 47,639,178	₱ 38,618,090
Manufacturing services	47,302,319	39,570,260
Power generation	25,759,912	20,721,184
Others	22,462,127	17,031,879
	143,163,536	115,941,413
Rental income	16,976,964	17,206,004
Sale of goods and rendering services	160,140,500	133,147,417
Share in net profits of associates and joint ventures	17,006,997	14,194,586
Interest income from real estate	5,352,030	6,361,069
Total	₱ 182,499,527	₱ 153,703,072

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:

	September 2021 (Unaudited)	September 2020 (Unaudited)
	(In Thousands)	
Revenue from contracts with customers		
Residential development	₱ 42,923,629	₱ 34,425,583
Construction	2,358,859	1,591,060
Hotels and resorts	2,356,690	2,601,447
Total Revenue	₱ 47,639,178	₱ 38,618,090

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:

	September 2021 (Unaudited)	September 2020 (Unaudited)
	(In Thousands)	
<i>Type of Product</i>		
Middle income housing	₱ 15,403,146	₱ 14,033,767
Condominium	10,808,344	6,648,346
Coremid	7,923,498	6,775,343
Lot only	8,788,640	6,968,127
	₱ 42,923,629	₱ 34,425,583

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:

	September 2021 (Unaudited)	September 2020 (Unaudited)
	(In Thousands)	
Automotive	₱ 23,685,937	₱ 19,085,880
Industrial	14,649,631	11,593,117
Consumer	3,063,790	2,445,172
Aerospace/defense	1,868,700	1,538,116
Telecommunication	1,834,165	2,823,215
Medical	1,052,520	1,015,599
Multiple market/others	1,147,576	1,069,161
	₱ 47,302,319	₱ 39,570,260

Translated using the weighted average exchange rate for the period (US\$1: ₱48.616 and ₱50.177 in September 30, 2021 and 2020, respectively).

20. Assets and Liabilities and Operations of Segment under PFRS 5

MWC

The February 1, 2020 subscription agreement between MWC and Prime Strategic Holdings, Inc. (previously Prime Metroline Holdings, Inc.) which entails the issuance of the primary shares to Trident Water by MWC and the assignment of portion of the preferred shares voting rights will result in the Parent Company's loss of control over MWC. Accordingly, commencing December 31, 2019, MWC qualified as a group held for deemed disposal and since the operations of MWC represents the Group's water infrastructure business segment, qualifies as a discontinued operation (presented as operation of segment under PFRS 5 in the condensed consolidated Unaudited Interim Consolidated Statements Income). This subscription agreement was amended on February 15, 2021 (Note 3).

The June 3, 2021 execution of Shareholders' Agreement among, Ayala, together with its wholly-owned subsidiaries, Philwater and ACEIC, and Trident Water Company Holdings Inc. is part of the closing actions for the latter's subscription to common shares in MWC. This resulted in the deconsolidation of MWC as of June 3, 2021 (Note 3 and 10).

The results of operations of MWC for the period ended June 3, 2021 and September 30, 2020 (both unaudited) are presented below:

	June 2021 (Unaudited)	September 2020 (Unaudited)
	(In Thousands)	
Revenue	₱ 7,840,250	₱ 15,225,453
Interest and other income	5,761,302	6,920,656
Total revenues	13,601,552	22,146,109
Cost of services	2,879,963	5,136,567
Operating expenses and other charges	9,353,967	11,510,096
Interest expense	917,645	1,802,183
Total expenses	13,151,575	18,448,846
Income tax	1,712,733	1,776,764
Net income after tax*	₱ (1,262,756)	₱ 1,920,499

*September 2021 net loss of ₱1.3Bn consists of: MWC's reported NIAT attributable to equity holders of ₱1.9Bn less additional remeasurement provisions booked in March and June 2021 and various consolidation adjustments (including deconsolidation) of ₱3.2 Bn. Accordingly, share in profit of associates and joint ventures account includes ₱0.6 Bn equity earnings for MWC for the period June 1 to September 2021.

September 2020 net income of ₱1.9Bn consists of: reported NIAT attributable to equity holders of ₱3.1Bn less additional remeasurement provisions booked in June 2020 and other consolidation adjustments of ₱1.2Bn.

The major classes of assets and liabilities of the MWC classified under PFRS 5 as at December 31, 2020 (audited) are as follows:

	December 2020 (Audited)
	(In Thousands)
Cash and Short-term investments	₱ 20,929,649
Current assets	5,813,134
Service Concession assets (net)	89,881,148
Noncurrent assets	20,572,252
Total assets	₱ 137,196,183
Short-term and Long-term debt	₱ 73,538,023
Current liabilities	11,495,336
Noncurrent liabilities	11,406,407
Total liabilities	₱ 96,439,767

The other noncurrent assets of MWC includes FCDA (see Note 3). MWC reviewed its deferred FCDA balance as of September 30, 2021 and has recognized adjustments to the amounts relative to FCDA recoveries of foreign exchange losses (gains) arising from MWSS and MWC foreign currency loans in accordance with Amendment 1 of the Concession Agreement.

On March 31, 2021, MWC and Metropolitan Waterworks and Sewerage System (MWSS) executed a Revised Concession Agreement (CA) covering the operation of the waterworks and sewerage services in the Service Area East of the MWSS. The Revised Concession Agreement adopts several key features of the New Clark City Joint Venture Agreement (NCC-JVA) Framework, while at the same time retains important aspects of the original Concession Agreement such as the Rate Rebasing mechanism, as well as the confirmation of the concession period duration to be until July 31, 2037 (see Notes 3 and 13).

The following are the disaggregation of MWC's revenue from contracts with customers which forms part of the Group's operations of the segment under PFRS 5 for the periods ended June 2021 and September 2020 (both unaudited):

June 2021 (Unaudited)	Manila Concession and Head Office	Domestic Subsidiaries	Total
	(In Thousands)		
Revenue from contracts with customers:			
Water and sewer	₱ 6,017,911	₱ 1,482,549	₱ 7,500,460
Other operating income	96,599	243,191	339,790
	6,114,510	1,725,740	7,840,250
Timing of revenue recognition:			
Revenue recognized over time	6,084,620	1,684,807	7,769,427
Revenue recognized at a point in time	29,890	40,933	70,823
	₱ 6,114,510	₱ 1,725,740	₱ 7,840,250

September 2020 (Unaudited)	Manila Concession and Head Office	Domestic Subsidiaries	Total
	(In Thousands)		
Revenue from contracts with customers:			
Water and sewer	₱ 11,852,635	₱ 2,727,314	₱ 14,579,949
Other operating income	161,210	484,294	645,504
	12,013,845	3,211,608	15,225,453
Timing of revenue recognition:			
Revenue recognized over time	11,934,655	3,134,596	15,069,251
Revenue recognized at a point in time	79,190	77,012	156,203
	₱ 12,013,845	₱ 3,211,608	₱ 15,225,453

The net cash flows of MWC are as follows:

	September 2021 (Unaudited)	September 2020 (Unaudited)
	(In Thousands)	
Operating activities	₱ 1,338,054	₱ 1,056,567
Investing activities	(1,922,319)	(17,214,217)
Financing activities	1,637,775	21,279,145
Net increase (decrease) in cash and cash equivalents	₱ 1,053,510	₱ 5,121,495

As of September 30, 2021 and December 31, 2020, MWC reclassified in its financial statements the following business units as operations under PFRS 5: Healthy Family Business Division and Zamboanga Water.

Healthy Family Business Division (MWTS-HF)

On August 26, 2020, MWTS announced the permanent closure of its Healthy Family Business Division (MWTS-HF) effective October 31, 2020 due to its recurring losses and inability to financially sustain business operations. While MWTS-HF, launched in 2015, has made strong efforts to improve operations and profitability, the ever-increasing competition in the bottled water industry and the recent economic challenges have proved too difficult to cope and keep the business afloat. MWTS, as an entity, shall continue to exist and operate based on its primary purpose to engage in water and wastewater and environmental services.

Zamboanga Water

On April 3, 2020, Zamboanga Water received a letter, dated April 1, 2020, from the Zamboanga City Water District (ZCWD), requesting for the termination of the NRW RSA. In its the letter, ZCWD indicated that the erratic supply of water due to the recurrent dry spell and El Niño phenomenon affecting the District Metered Areas (DMAs) established by Zamboanga Water has rendered the NRW RSA impractical and unworkable, and thus, in the interest of fiscal responsibility and sound management of government funds, ZCWD requested for the termination of the NRW RSA.

On April 30, 2020, Zamboanga Water approved the termination of the NRW RSA. Such termination, however, is without prejudice to Zamboanga Water's claims against ZCWD and remedies under the NRW RSA.

On September 16, 2020, Zamboanga Water filed a Notice of Arbitration with the Philippine Dispute Resolution Center, Inc. (PDRCI), which is the arbitral body designated in the NRW RSA.

In April 2021, the Arbitral Tribunal composed of three (3) arbitrators was constituted. As of the date of authorization of this report, the arbitration is currently ongoing.

GN Power Kauswagan Ltd. Co. (GNPK)

On July 1, 2019, the ACEIC and Power Partners Ltd. Co. (PPLC) executed the Divestment Term Sheet for the acquisition in tranches by PPLC of the ACEIC Group's indirect partnership interest in GNPK. The completion of the first tranche of the transaction will result in PPLC gaining control over GNPK's coal power plant. The Group classified the assets and liabilities of GNPK as assets and liabilities held for sale in 2019 since based on management's assessment, the criteria under PFRS 5 have been met. The transaction is subject to certain conditions precedent, including PCC approval that was already obtained on September 30, 2019, and lenders' consent for ACEIC's full divestment from the project which was been obtained last December 15, 2020.

On December 28, 2020, ACEIC, PPLC and their related companies amended and restated the Divestment Term Sheet and signed and executed an Amended and Restated Term Sheet for the divestment of ACEIC from GNPK to update the terms and conditions of the divestment.

The Group has continued to classify the assets and liabilities of GNPK as "Assets held for sale" and "Liabilities held for sale", respectively, in the 2020 consolidated statement of financial position as the sale is highly probable and intended to be completed within year 2021, subject to the completion of other condition precedent specified in the term sheet such as restructuring which ACEIC is currently working on.

In 2021, certain transactions were completed resulting in the first tranche sale. The fair value of the retained investment is presented as “Assets held for sale” in the consolidated balance sheets as of September 30, 2021 (see Note 3).

The major classes of assets and liabilities of the GNPK classified under PFRS 5 as at December 31, 2020 (audited) are as follows:

	December 2020 (Audited) (In Thousands)
Cash and cash equivalents	₱ 4,634,983
Current assets	4,890,716
Property and equipment	47,560,398
Noncurrent assets	1,854,290
Total assets	₱ 58,940,387
Current liabilities	₱ 3,016,711
Loans and long-term debt	24,811,025
Noncurrent liabilities	23,979
Total liabilities	₱ 27,851,715

ACEIC continued to take up the full profit and loss of GNPK until September 30, 2021, the date when the first tranche sale was completed. GNPK revenues from electricity sales of ₱4,354.5 million, other income of ₱15.3 million and administrative expenses of ₱2,849.1 million for the period ended September 30, 2021 were recognized in the unaudited interim condensed consolidated income statement.

Claims for Property Damage and Business Interruption

GNPK has the right to claim Delay Liquidated Damages for any construction delay. Total compensation recognized under Other revenues in the unaudited interim condensed consolidated statements of income for the nine-month periods ended September 30, 2021 and 2020 (both unaudited) amounted to nil and US\$10 million (₱509.04 million), respectively. As of September 30, 2021 (unaudited) and December 31, 2020 (audited), no compensation recognized as cost recovery or cost reduction to Construction in Progress account under Property, plant and equipment in the unaudited interim condensed consolidated statements of financial position.

As at September 30, 2021 (unaudited) and December 31, 2020 (audited), the carrying value of the GNPK's power plant amounted to ₱52.21 billion and ₱47.88 billion, respectively. GNPK has assessed that the units will be available in the location and condition for them to be capable of operating as intended by management when the units have achieved the unit performance test level as agreed with the EPC Agreement. As at September 30, 2021 and December 31, 2020, the units are not yet available for their intended use as there are still expected testing and costs that will be incurred until the units achieve the agreed and expected conditions to operate. Consequently, no depreciation was recognized as at September 30, 2021 and December 31, 2020.

ACEN's Power Barge (PB) 101, 102 and 103

On August 20, 2021, ACEN's Executive Committee approved the sale of PB 101 to Prime Strategic Holdings Inc. or its designated affiliate or subsidiary, and PB 102 and PB 103 to SPC Power Corporation or its designated affiliate or subsidiary.

The Asset Purchase Agreement for the sale of PB 102 and 103 with SPC Island Power Corporation was subsequently signed on September 16, 2021. While no term sheet executed yet for PB 101 as of report date, the sale of the power barges is expected to be completed in the fourth quarter of 2021, subject to satisfaction of agreed conditions precedent, including obtaining the applicable regulatory approvals. As at September 30, 2021, the power barges are classified as “Asset held for sale” in the consolidated statements of financial position in accordance with PFRS 5. The asset was previously presented as part of property, plant and equipment.

The carrying value of the remaining asset classified as assets held for sale amounted to ₱251.6 million as at September 30, 2021.

21. 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. These 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.
- Banking - 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 - 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.

Investment in MWC was classified to "Assets and liabilities under PFRS 5" in December 2020, and its operating results were classified to "Operations of the segment under PFRS 5" for the period ending June 3, 2021 and September 30, 2020 (see Note 20). In June 2021, a Shareholders' Agreement was executed among the Company, Philwater, ACEIC, and Trident Water Company Holdings Inc. as part of the closing actions for the latter's subscription to common shares in MWC (see Notes 3 and 20). This resulted in the deconsolidation of MWC and its consequent classification to investment in associate as of June 3, 2021.

- Industrial Technologies - 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-development to manufacturing and order fulfillment), the company's comprehensive capabilities and global manufacturing presence allow it to take on specific outsourcing needs.
- Power - 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, Outsourcing 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 outsourcing 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 for Infrastructure (development arm for various types of infrastructure); 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 periods ended September 30, 2021 and 2020 and December 31, 2020, 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 are not affected by seasonality in operations.

The following tables regarding operating segments present revenue and income information for the periods ended September 30, 2021 and 2020 (both unaudited), and assets and liabilities as of September 30, 2021 (unaudited) and December 31, 2020 (audited).

September 30, 2021 (Unaudited)
(In Millions)

	Parent Company	Real Estate and Hotels	Banking	Telecomm unications	Industrial Technologies	Power	Automotive, Outsourcing and Others	Intersegment Eliminations	Consolidated
Revenue									
Sales to external customers	P 187	P64,487	P -	P -	P47,326	P25,805	P 22,336	P -	P160,141
Intersegment	88	391	-	-	2	236	246	(963)	-
Share of profit of associates and joint ventures	-	734	8,208	5,459	-	2,408	198	-	17,007
Interest income	94	5,521	-	-	14	2,917	258	-	8,804
Dividend income	-	-	-	-	-	-	-	-	-
	369	71,133	8,208	5,459	47,342	31,366	23,038	(963)	185,952
Costs and expenses									
Costs of sales and services	-	43,876	-	-	44,025	17,520	18,893	(544)	123,770
General and administrative	2,093	4,676	-	-	3,506	4,414	5,870	(250)	20,309
	2,093	48,552	-	-	47,531	21,934	24,763	(794)	144,079
Other income (charges)									
Other income	1,077	749	-	-	118	4,998	1,300	(588)	7,654
Interest and other financing charges	(4,747)	(10,761)	-	-	(358)	(4,254)	(621)	(6)	(20,747)
Other charges	-	-	-	-	-	-	-	-	-
	(3,670)	(10,012)	-	-	(240)	744	679	(594)	(13,093)
Net income (loss) before income tax	(5,394)	12,569	8,208	5,459	(429)	10,176	(1,046)	(763)	28,780
Provision for (benefit from) income tax	10	2,867	-	-	265	494	212	(312)	3,536
	(5,404)	9,702	8,208	5,459	(694)	9,682	(1,258)	(451)	25,244
Operations of the segment under PFRS 5* (Note 20)								(1,263)	(1,263)
Net income (loss)**	P (5,404)	P 9,702	P8,208	P 5,459	P (694)	P 9,682	P (1,258)	P (1,714)	P 23,981

*September 2021 net loss of P1.3Bn consists of: MWC's reported NIAT attributable to equity holders of P1.9Bn less additional remeasurement provisions booked in March and June 2021 and various consolidation adjustments (including deconsolidation) of P3.2 Bn. Accordingly, share in profit of associates and joint ventures account includes P0.6 Bn equity earnings for MWC for the period June 1 to September 2021.

** NIAT slightly different vs. the reported NIAT of certain business units due to cut-off adjustments taken up at AC consolidated FS from year 2020. Along with other cut-off adjustments, the net effect to consolidated NIAT is less than 1%.

	Parent Company	Real Estate and Hotels	Banking	Telecomm unications	Industrial Technologies	Power	Automotive, Outsourcing and Others	Intersegment Eliminations	Consolidated
Other information									
Segment assets	P 71,047	P698,139			P56,938	P198,607	P62,698	P(39,948)	P1,047,481
Investments in associates and joint ventures	215,276	28,272			-	27,197	14,435	-	285,180
Deferred tax assets	86	11,836			136	524	1,628	860	15,070
Assets under PFRS 5								12,042	12,042
Total Assets	P286,409	P738,247	P -	P -	P57,074	P226,328	P78,761	P(27,046)	P1,359,773
Segment liabilities	P193,548	P461,746			P32,498	P124,081	P29,210	P(41,525)	P 799,558
Deferred tax liabilities	85	6,662			64	516	2,283	-	9,611
Liabilities under PFRS 5								-	-
Total Liabilities	P193,633	P468,408	P -	P -	P32,563	P124,597	P31,493	P(41,525)	P 809,169
Depreciation & amortization	P 131	P 6,622	P -	P -	P 2,155	P 1,875	P 1,058	P 1,382	P 13,223
Non-cash expenses other than depreciation & amortization	P (138)	P 117	P -	P -	P (187)	P 216	P 208	P 3,062	P 3,278
Segment additions to property, plant and equipment and investment properties	P 231	P 11,186	P -	P -	P 1,168	P 8,316	P 1,927	P (1,364)	P 21,464
Cash flows provided by (used in):									
Operating activities	P (9,234)	P 10,868	P -	P -	P (1,212)	P 1,423	P 1,576	P 8,422	P 11,843
Investing activities	P 15,695	P (17,382)	P -	P -	P (1,197)	P (3,240)	P(2,140)	P(50,876)	P (59,140)
Financing activities	P 327	P 4,129	P -	P -	P (917)	P 37,184	P(4,150)	P 21,511	P 58,084

September 2020 (Unaudited)
(In Millions)

	Parent Company	Real Estate and Hotels	Banking	Telecomm unications	Industrial Technologies	Power	Automotive, Outsourcing and Others	Intersegment Eliminations	Consolidated
Revenue									
Sales to external customers	P 161	P 55,695	P -	P -	P 39,612	P 20,793	P 16,886	P -	P 133,147
Intersegment	68	(120)	-	-	(34)	554	370	(838)	-
Share of profit of associates and joint ventures		520	8,050	4,815	-	1,473	(664)	-	14,194
Interest income	254	6,651	-	-	14	1,437	241	-	8,597
Dividend income	61	-	-	-	-	-	-	-	61
	544	62,746	8,050	4,815	39,592	24,257	16,833	(838)	155,999
Costs and expenses									
Costs of sales and services	-	35,594	-	-	36,526	12,251	14,770	(438)	98,703
General and administrative	2,454	5,692	-	-	3,826	2,935	6,916	(154)	21,669
	2,454	41,286	-	-	40,352	15,186	21,686	(592)	120,372

	Parent Company	Real Estate and Hotels	Banking	Telecomm unications	Industrial Technologies	Power Generation	Automotive, Outsourcing and Others	Intersegment Eliminations	Consolidated
Other income (charges)									
Other income	254	588	-	-	676	2,518	366	(188)	4,214
Interest and other financing charges	(4,531)	(11,581)	-	-	(418)	(3,305)	(561)	-	(20,396)
	(4,277)	(10,993)	-	-	258	(787)	(195)	(188)	(16,182)
Net income (loss) before income tax	(6,187)	10,467	8,050	4,815	(502)	8,284	(5,048)	(434)	19,445
Provision for (benefit from) income tax	39	2,942	-	-	171	871	24	49	4,096
	(6,226)	7,525	8,050	4,815	(673)	7,413	(5,072)	(483)	15,349
Operations of the segment under PFRS 5* (Note 20)								1,920	1,920
Net income (loss)**	₱ (6,226)	₱ 7,525	₱ 8,050	₱ 4,815	₱ (673)	₱ 7,413	₱ (5,072)	₱ 1,437	₱ 17,269

* September 2020 net income of ₱1.9Bn consists of: reported NIAT attributable to equity holders of ₱3.1Bn less additional remeasurement provisions booked in June 2020 and other consolidation adjustments of ₱1.2Bn.

** NIAT slightly different vs. the reported NIAT of certain business units due to cut-off adjustments taken up at AC consolidated FS from year 2019. Along with other cut-off adjustments, the net effect to consolidated NIAT is less than 1%.

Other information

Depreciation & amortization	₱ 183	₱ 7,349			₱ 2,131	₱ 1,732	₱ 966	₱ (7)	₱ 12,354
Non-cash expenses other than depreciation & amortization	₱ (242)	₱ 41			₱ 384	₱ (389)	₱ 1,298	₱ -	₱ 1,092
Segment additions to property, plant and equipment and investment properties	₱ 83	₱ 8,244	₱ -	₱ -	₱ 588	₱ 11,748	₱ 1,379	₱ (8,732)	₱ 13,310
Cash flows provided by (used in):									
Operating activities	₱ (6,307)	₱ (28,309)	₱ -	₱ -	₱ 2,617	₱ 334	₱ (3,040)	₱ 3,261	₱ (31,444)
Investing activities	₱ 5,006	₱ 4,868	₱ -	₱ -	₱ (517)	₱ (16,324)	₱ (19,911)	₱ (10,311)	₱ (37,189)
Financing activities	₱ 2,448	₱ 20,211	₱ -	₱ -	₱ 3,030	₱ 10,959	₱ 28,255	₱ 7,996	₱ 72,899

December 31, 2020 (Audited)
(In Millions)

	Parent Company	Real Estate and Hotels	Banking	Telecomm unications	Industrial Technologies	Power	Automotive, Outsourcing and Others	Intersegment Eliminations	Consolidated
Assets and Liabilities									
Segment assets	₱ 70,512	₱ 684,552	₱ -	₱ -	₱ 54,617	₱ 120,285	₱ 52,345	₱ (42,332)	₱ 939,979
Investments in associates and joint ventures	191,365	26,570	-	-	-	23,705	13,368	-	255,008
Deferred tax assets	86	12,122	-	-	199	521	1,341	365	14,634
Assets under PFRS 5	-	-	-	-	-	-	-	196,137	196,137
Total Assets	₱ 261,963	₱ 723,244	₱ -	₱ -	₱ 54,816	₱ 144,511	₱ 67,054	₱ 154,170	₱ 1,405,758

	Parent Company	Real Estate and Hotels	Banking	Telecomm unications	Industrial Technologies	Power	Automotive, Outsourcing and Others	Intersegment Eliminations	Consolidated
Segment liabilities	P 171,598	P 454,149			P 26,643	P 96,645	P 25,378	P (44,766)	P 729,647
Deferred tax liabilities	85	7,149			92	816	1,256	-	9,398
Liabilities under PFRS 5	-	-			-	-	-	124,291	124,291
Total Liabilities	P 171,683	P 461,298	P -	P -	P 26,735	P 97,461	P 26,634	P 79,525	P 863,336
Depreciation & amortization	P 232	P 9,573	P -	P -	P 2,753	P 2,401	P 1,493	P 3,420	P 19,872
Non-cash expenses other than depreciation & amortization	P 777	P 738	P -	P -	P 380	P 634	P 1,786	P 2,831	P 7,146
Segment additions to property, plant and equipment and investment properties	P 135	P 8,643	P -	P -	P 899	P 6,130	P 1,970	P (873)	P 16,904
Cash flows provided by (used in):									
Operating activities	P (4,037)	P (12,575)	P -	P -	P 3,335	P 11,553	P (10)	P (7,209)	P (8,943)
Investing activities	P 2,668	P (3,215)	P -	P -	P (648)	P (18,587)	P (5,847)	P (2,070)	P (27,699)
Financing activities	P 6,395	P 12,674	P -	P -	P 1,482	P (6,998)	P 8,688	P 22,749	P 44,990

22. Fair Value Measurement and Derivative Instruments

Fair Value of Financial and Nonfinancial Instruments

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the following financial instruments as of September 30, 2021 (unaudited) and December 31, 2020 (audited):

	September 2021 (Unaudited)		December 2020 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)		(In Thousands)	
FINANCIAL ASSETS AT FVTPL				
Held for trading – current	₱ 8,486,975	₱ 8,486,975	₱ 8,447,145	₱ 8,447,145
Convertible loans – noncurrent	3,226,145	3,226,145	3,961,898	3,961,898
Derivative assets - Freestanding	505,734	505,734	250,230	250,230
Total financial assets at FVTPL	12,218,854	12,218,854	12,659,273	12,659,273
AT AMORTIZED COST				
Accounts and notes receivables				
Noncurrent trade receivables				
Real estate	50,789,927	51,442,864	42,547,808	45,313,900
Nontrade receivables				
Receivable from officers and employees	1,396,371	1,369,302	1,434,231	1,372,578
Financial assets at amortized cost	25,361,400	26,521,020	15,297,105	16,456,725
Total at amortized cost	77,547,698	79,333,186	59,279,144	63,143,203
FINANCIAL ASSETS AT FVOCI				
Investment in bonds	2,292,262	2,292,262	2,309,440	2,309,440
Quoted equity investments	1,801,757	1,801,757	2,124,826	2,124,826
Unquoted equity investments	2,120,725	2,120,725	1,224,942	1,224,942
Total financial assets at FVOCI	6,214,744	6,214,744	5,659,208	5,659,208
OTHER FINANCIAL ASSETS				
Deposits	4,034,619	4,034,619	3,425,411	3,425,411
Total other financial assets	4,034,619	4,034,619	3,425,411	3,425,411
Total financial assets	₱100,015,915	₱101,801,403	₱ 81,023,036	₱ 84,887,095
FINANCIAL LIABILITIES AT FVTPL				
Financial liabilities on put option	₱ 393,097	₱ 393,097	₱ 466,712	₱ 466,712
Derivative liabilities	1,164	1,164	4,248	4,248
Total financial liabilities at FVTPL	394,261	394,261	470,960	470,960
OTHER FINANCIAL LIABILITIES				
Long-term debt	456,766,201	431,859,476	409,314,750	409,105,254
Service concession obligation	86,218	86,218	86,218	86,218
Deposits and other noncurrent liabilities	47,923,480	47,923,480	59,198,985	46,983,229
Total other financial liabilities	504,775,899	479,869,174	468,599,953	456,174,701
Total financial liabilities	₱505,170,160	₱480,263,435	₱469,070,913	₱456,645,661

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 investment in bonds - fair value of the bonds is based on binomial lattice approach.

Financial assets at FVOCI 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.

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. 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. Another significant assumption is the probability of trigger event occurring within the put option period.

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 September 30, 2021 (unaudited) and December 31, 2020 (audited):

September 30, 2021 (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 FVTPL - current	P -	P 354,706	P 8,132,269	P 8,486,975
Convertible loans - noncurrent	-	-	3,226,145	3,226,145
Derivative assets - Freestanding	-	-	505,734	505,734
Total Financial assets at FVTPL	-	354,706	11,864,148	12,218,854
Financial assets at FVOCI				
Investment in bonds	-	-	2,292,262	2,292,262
Quoted equity investments	1,281,166	520,591	-	1,801,757
Unquoted equity investments	-	-	2,120,725	2,120,725
	P 1,281,166	P 875,297	P 16,277,135	P 18,433,598
Recurring financial assets for which fair values are disclosed:				
Noncurrent trade and nontrade receivables	P -	P -	P 52,812,166	P 52,812,166
Financial assets at amortized cost	-	-	26,521,020	26,521,020
Deposits	-	-	4,034,619	4,034,619
	P -	P -	P 83,367,805	P 83,367,805
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	P -	P -	P 393,097	P 393,097
Derivative liabilities	-	-	1,164	1,164
	P -	P -	P 394,261	P 394,261
Recurring financial liabilities for which fair values are disclosed:				
Long-term debt	P -	P -	P 431,859,476	P 431,859,476
Service concession obligation	-	-	86,218	86,218
Deposits and Other noncurrent liabilities	-	-	47,923,480	47,923,480
	P -	P -	P 479,869,174	P 479,869,174
Nonfinancial assets for which fair values are disclosed:				
Investment properties	P -	P -	P 465,497,241	P 465,497,241
Investments in associates and joint ventures*	303,568,070	-	-	303,568,070
	P 303,568,070	P -	P 465,497,241	P 769,065,311

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

December 31, 2020 (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 - current	P -	P -	P 8,447,145	P 8,447,145
Convertible loans - noncurrent	-	-	3,961,898	3,961,898
Derivative assets - Freestanding	-	-	250,230	250,230
Total Financial assets at FVTPL	-	-	12,659,273	12,659,273
Investment in bonds	-	-	2,309,440	2,309,440
Quoted equity investments	1,427,032	697,794	-	2,124,826
Unquoted equity investments	-	-	1,224,942	1,224,942
	P 1,427,032	P 697,794	P 16,193,655	P 18,318,481
Recurring financial assets for which fair values are disclosed:				
Noncurrent trade and nontrade receivables	P -	P -	P 46,686,478	P 46,686,478
Financial assets at amortized cost	-	-	16,456,725	16,456,725
Deposits	-	-	3,425,411	3,425,411
	P -	P -	P 66,568,614	P 66,568,614
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	P -	P -	P 466,712	P 466,712
Derivative liabilities	-	-	4,248	4,248
	P -	P -	P 470,960	P 470,960

Recurring financial liabilities for which fair values are disclosed:

Long-term debt	P	-	P	-	P409,105,254	P 409,105,254
Service concession obligation		-		-	86,218	86,218
Deposits and Other noncurrent liabilities		-		-	46,983,229	46,983,229
	P	-	P	-	P456,174,701	P 456,174,701

Nonfinancial assets for which fair values are disclosed:

Investment properties	P	-	P	-	P458,146,195	P 458,146,195
Investments in associates and joint ventures*		264,784,769		-	-	264,784,769
	P	264,784,769	P	-	P458,146,195	P 722,930,964

*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:

September 30, 2021 (Unaudited)

	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	Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by \$0.01 million. Decrease in the probability to 1% would result in a decrease in fair value by \$0.01 million.

December 31, 2020 (Audited)

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial assets at FVTPL	Market comparable	Weighted average cost of capital (WACC)	5% to 10%	5% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US\$5,200,723/ (US\$5,200,723)
				10% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US\$10,401,445/ (US\$10,401,445)
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Probability of trigger events occurring	1% - 10% (%)	Increase in the probability to 10% would result in an increase in fair value by US\$0.01 million. Decrease in the probability to 1% would result in a decrease in fair value by US\$0.01 million.

ACEIC Group categorizes equity instruments at FVOCI, loans payable and notes payable under Level 3 valuation techniques:

Equity instruments at FVOCI

Estimated fair value is based on the discounted value of future cash flows using the applicable discount rates relevant to the industry of investee companies. This is a Level 3 valuation technique.

Loans and Notes payable

Estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of loans and liabilities. This is a Level 3 valuation technique.

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:

Financial Assets at FVTPL	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Balance at beginning of year	₱ 12,409,043	₱ 9,726,080
Additions (disposals)	(1,250,508)	3,263,628
Recognized in consolidated statement of income	483,450	24,028
Exchange difference and others	(283,571)	(604,693)
Balance at end of period	₱ 11,358,414	₱ 12,409,043

Financial Liabilities at FVTPL	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Balance at beginning of year	₱ 466,712	₱ 1,584,703
Adjustment to additional paid-in capital	-	(736,142)
Recognized in statement of income	(78,532)	(353,184)
Exchange difference	4,917	(28,665)
Balance at end of period	₱ 393,097	₱ 466,712

Derivatives

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Derivative Assets		
Call option of AC Industrial and AC Health	₱ 159,567	₱ 164,656
Forward contract of AC Energy, IMI, AC and AIVPL	346,167	85,574
	₱ 505,734	₱ 250,230
Derivative Liabilities		
Forward contract of IMI & AC Energy	₱ 1,164	₱ 4,248
	₱ 1,164	₱ 4,248

The Parent Company entered into a foreign currency swap with a local bank to mitigate the foreign currency exposures arising from USD borrowings converted to Philippine peso. The Parent Company assessed the hedge to be highly effective; changes in fair value of the hedge are included in the derivative asset and equity accounts (see Notes 8 and 16).

Fair Value Changes on Derivatives

The net movements in fair values of the Group's derivative instruments as of September 30, 2021 (unaudited) and December 31, 2020 (audited) follow:

Derivative Assets

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Balance at beginning of year	₱ 250,230	₱ 338,612
Additions (disposals) during the period	255,504	(88,382)
Balance at end of period	₱ 505,734	₱ 250,230

Derivative Liabilities

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Balance at beginning of year	P 4,248	P 238,411
Net changes in fair value of derivatives	(3,084)	(234,163)
Balance at end of period	P 1,164	P 4,248

No other financial assets or liabilities are carried at fair value as of September 30, 2021 (unaudited) and December 31, 2020 (audited).

Net changes in fair value of derivative assets and liabilities were 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 the 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 takes 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 in setting up limits for counterparties that are reviewed quarterly and monitoring of any changes in credit standing of counterparties.

The Parent Company has a formal 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 amortized cost, FVTPL and FVOCI, 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 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 entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The second and third columns of the table below summarize the Group's exposure to foreign exchange risk as of September 30, 2021 (unaudited) and December 31, 2020 (audited). 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 as of September 30, 2021 (unaudited) and December 31, 2020 (audited).

September 30, 2021 (unaudited)

Foreign currency	Net asset (liabilities)	PHP equivalent	Increase (decrease) in Peso per foreign currency	Increase (decrease) in profit before tax
United States Dollar (USD)	USD (180,779)	₱(11,389,683)	₱1.00 (1.00)	₱ (180,779) 180,779
Japanese Yen (JPY)	JPY 116,585	₱ 53,169	1.00 (1.00)	116,585 (116,585)
Euro (EUR)	EUR 55,612	₱ 3,291,598	1.00 (1.00)	55,612 (55,612)
Chinese RMB (RMB)	RMB 146,179	₱ 1,149,523	1.00 (1.00)	146,179 (146,179)
Vietnam Dong (VND)	VND (6,962,388)	₱ (15,328)	1.00 (1.00)	(6,962,388) 6,962,388

December 31, 2020 (audited)

Foreign currency	Net asset (liabilities)	PHP equivalent	Increase (decrease) in Peso per foreign currency	Increase (decrease) in profit before tax
	(in Thousands)			(in Thousands)
United States Dollar (USD)	USD (379,491)	₱ (18,330,094)	₱1.00 (1.00)	₱ (379,491) 379,491
Japanese Yen (JPY)	JPY 63,725	₱ 29,351	1.00 (1.00)	63,725 (63,725)
Euro (EUR)	EUR 130,245	₱ 7,653,206	1.00 (1.00)	130,245 (130,245)
Chinese RMB (RMB)	RMB 233,700	₱ 1,720,018	1.00 (1.00)	233,700 (233,700)
Vietnam Dong (VND)	VND 83,232,493	₱ 172,214	1.00 (1.00)	83,232,493 (83,232,493)

There is no other impact on the Group's equity other than those already affecting the profit before tax.

Equity price risk

Financial assets at FVTPL and FVOCI 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 cash equivalents 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 Treasury and Financial Policies of the individual subsidiaries set credit limits for their counterparty. The Group trades only with recognized, creditworthy third parties and has a well-defined credit policy and established credit procedures.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition.

Given the Group's diverse base of counterparties, the Group is not exposed to large concentrations of credit risk.

The maximum exposure to credit risk for the components of the consolidated statement of financial position is equal to the carrying values.

Part of the policies is the performance of impairment analysis for the credit accounts.

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short - term investments, FVTPL financial assets, quoted financial assets at FVOCI and financial assets at amortized cost, advances to other companies and related party receivables

High grade pertains to cash and cash equivalents and short-term investments, quoted financial assets, financial assets at amortized cost, related party transactions and receivables with high probability of collection.

Medium grade pertains to unquoted financial assets other than cash and cash equivalents, FVTPL financial assets and short - term investments with nonrelated counterparties and receivables from counterparties with average capacity to meet their obligation.

Low grade pertains to financial assets with the probability to be impaired based on the nature of the counterparty.

Trade receivables

Real estate, power, outsourcing and international and others - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment in the past; and low grade pertains to receivables with more than 3 defaults in payment.

Industrial Technologies - high grade pertains to receivable with favorable credit terms and can be offered with a credit term of 15 to 45 days; medium grade pertains to receivable with normal credit terms and can be offered with a credit term of 15 to 30 days; and low grade pertains to receivables under advance payment or confirmed irrevocable Stand-by Letter of Credit and subjected to semi-annual or quarterly review for possible upgrade or transaction should be under advance payment or confirmed and irrevocable Stand-By Letters of credit; subject to quarterly review for possible upgrade after one year.

Automotive - high grade pertains to receivables from corporate accounts and medium grade for receivables from noncorporate accounts.

Unquoted financial assets at FVOCI - the unquoted investments are unrated.

23. 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.

All publicly-listed and certain member companies of the Group have Material Related Party Transactions Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirements under the Revised SRC Rule 68 and SEC Memorandum Circular 10, series of 2019.

The Parent Company has an approval requirement such that material related party transactions (RPT) shall be reviewed by the Risk Management Committee (the Committee) and endorsed to the BOD for approval. Material RPTs are those transactions that meet the threshold value as approved by the Committee amounting to ₱50.0 million or five (5) percent of the total assets, whichever is lower and other requirements as may be determined by the Committee upon the recommendation of the Parent Company's Risk Management.

The Group, in its regular conduct of business, has entered into transactions with associates, joint ventures and other related parties principally consisting of deposits/placements, 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.

Highlights of related party transactions follow:

a. Transactions with BPI, an associate

As of September 30, 2021 and December 31, 2020, the Group maintains current and savings account, money market placements, other short-term investments and other current and noncurrent assets as well as short-term and long-term debt with BPI broken down as follows (amounts in thousands):

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Cash in banks (Note 4)	₱ 10,976,481	₱ 6,724,006
Cash equivalents (Note 4)	35,801,574	8,091,312
Short-term investments (Note 5)	563,238	449,630
Financial assets at FVTPL (Note 8)	248,162	358,120
Financial assets at FVOCI (Note 8)	252,701	262,021
Other noncurrent assets - others (Note 8)	-	4,083,252
Short-term and long-term debt (Note 16)	51,277,157	38,538,633

Cash in banks and cash equivalents earn interest at prevailing bank deposit rates. Investment in FVTPL pertain to MMF which earns interest depending on the duration of time invested in the fund.

The Group's short-term and long-term debts are interest bearing with varying rates, have various maturities starting 2020 and varying schedules of payments for interest (see Note 16).

Transactions with BPI will be settled in cash.

b. Outstanding balances of related party transactions follow (amounts in thousands):

	September 2021 (Unaudited)	December 2020 (Audited)
	(In Thousands)	
Receivable from related parties (Note 6)	₱ 40,841,077	₱ 20,113,339
Receivable from officers and employees (Note 6)	1,396,371	1,434,231
Dividend receivable	20,000	-
Payable to related parties (Note 14)	1,380,387	1,275,963

The September 2021 amounts represent 18.3% and 1.5% of the Group's total accounts and notes receivables and total accounts payable and accrued expenses, respectively.

Receivable from Related Parties

Increase in receivable from related parties pertains to ACEIC 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 ACEIC's receivables from associates and joint venture partners and AC Industrials' 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, will be settled in cash and are due and demandable.

Impairment assessment is undertaken at end of year or anytime during the year when there is a condition that would require such, through examining the financial position of the related parties and the markets in which the related parties operate.

Receivables from Officers and Employees

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 (6.0% per annum) and have various maturity dates.

Dividends receivable from related parties

These pertain to accrued dividend from declarations of associates and joint ventures. These are non-interest bearing and usually collectible within one year.

Payables to Related Parties

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.

c. Revenue and expenses from related parties follow:

	September 2021 (Unaudited)	September 2020 (Unaudited)
	(In Thousands)	
Revenue from related parties	₱ 4,074,120	₱ 1,865,422
Expenses from related parties	3,161,329	4,892,513

The September 2021 amounts represent 2.1% and 1.9% of the Group's total income and expenses, respectively. These consist of, among others, income from real estate, power generation, automotive sales, professional services and interest/financing as well as expenses on interest (see Note 16), water utilities, communications and professional fees.

Others

Integrated Micro-Electronics Bulgaria EOOD (IMI BG) has agreed to provide continuing operational, investment and financial assistance to the facilities of C-Con GmbH (C-Con), a related party and an entity under common control of ACI, for C-Con will duly and timely perform all required obligations under contracts to be entered into with a particular customer. In case of C-Con's failure to perform its contractual obligations under the contract including but not limited to failure to perform due to C-Con's insolvency (Breach), IMI BG will indemnify and hold harmless the customer from any and all costs, liabilities, damages, losses, and reasonable amount of actually-incurred out of pocket expenses (including court costs and legal expenses) of the customer occasioned by or arising from such Breach. As consideration for extending said guarantee, IMI BG will be charging C-Con a guarantee fee equivalent to two (2%) of the revenue for the projects won using or relying upon IMI BG's guarantee. Additionally, IMI BG's guarantee to C-Con is backstopped by AC Industrials (Singapore) Pte. Ltd., another related party of IMI BG. As of reporting date, there are no active contracts which require this guarantee.

24. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities follow:

	Jan. 1, 2021 (Audited)	Cash Flows	Non-cash Changes *	Liabilities under PFRS 5	Foreign Exchange Movement	September 30, 2021 (Unaudited)
Short-term and Long-term debt	₱441,754,257	₱55,264,026	₱(68,609,982)	₱73,132,061	₱7,451,043	₱508,991,405
Dividend payable	2,251,883	(6,670,094)	4,774,565	7,357	-	363,711
Other noncurrent liabilities	52,775,650	5,294,122	(3,841,483)	91,543	-	54,319,832
Lease liabilities	24,117,720	(2,484,538)	3,830,875	393,937	-	25,857,994
Service concession obligation	86,218	(297,228)	(8,672,053)	8,969,281	-	86,218
Total liabilities from financing activities	₱520,985,728	₱51,106,288	₱(72,518,078)	₱82,594,179	₱7,451,043	₱589,619,160

* Non-cash changes on:

- Short-term and long-term debt pertains to AC Health's business combination of MGHI (see Note 3), change due to loss of control in a subsidiary (Notes 3 and 20) and accretion of interest expense.
- Dividends payable pertains to dividends declared during the year.
- Other noncurrent liabilities (ONCL) pertains to ROU assets additions offset against Lease liabilities; partly offset by additions coming from AC Health's business combination of MGHI (see Note 3).

- Lease liabilities pertain to additions during the year which are shown under ONCL in the statement of cash flows.
- Service concession obligation pertain to additions during the year.

The Group's cashflows from investing activities in the Consolidated Statement of Cashflows include the impact of deconsolidation of MWC.

25. Events After the Reporting Period

AC

1. On October 8, 2021, the Parent Company made a capital infusion of ₱250.0 million to AC Infra, equivalent to its 250 million RPS, to fund its investment into Euronet Technology Services for a stake of up to 33.5%.

On October 21, 2021, AC Infra redeemed its RPS held by the Parent company amounting to ₱300.0 million.

2. On October 1, 2021, the Parent Company made a capital infusion of ₱360.0 million to MCX Project Company, Inc. (MCX), equivalent to its 60 million class A common shares and 300 million preferred shares, to fund its incorporating capital. MCX Project Company is a special purpose corporation into which the Parent Company's MCX concession assets under the Private-Public Partnership Project with the DPWH will be transferred.

On October 8, 2021, the SEC approved the incorporation of MCX Project Company, Inc.

3. On October 18, 2021, the Parent Company's BOD approved the declaration of the fourth quarter cash dividends on its outstanding Preferred "B" Series 1 shares at ¼ of 5.2500% per annum, or ₱6.56250 per share, based on the issue price of the shares. The record date is November 2, 2021 and payment date is on November 15, 2021.

On November 2, 2021, the Parent Company's BOD approved the declaration of the fourth quarter cash dividends on its outstanding Preferred "B" Series 2 Shares amounting to ¼ of 4.8214% per annum, or ₱6.02675 per share, based on the issue price of the shares. The record date is November 16, 2021, and payment date is on November 29, 2021.

4. On October 21, 2021, the Parent Company announced its commitment to achieve net zero greenhouse gas emissions by 2050 during the group's Integrated Corporate Governance, Risk Management, and Sustainability Summit. Ayala aligns its business strategy with the Paris Agreement's goal of limiting global warming to 1.5 degree celsius compared to pre-industrial levels.

To develop a net zero roadmap, Ayala partners with South Pole, a leading project developer and global climate solutions provider that works with private organizations and governments worldwide. This partnership enables the group to have an accurate view of emissions across its core business units and a tangible roadmap for reducing them in line with its net zero by 2050 ambition.

5. On October 27, 2021, the Parent Company made a capital infusion of ₱101.0 million to AC Logistics, equivalent to its 101 million common shares, to fund its 49% equity share in the JV with Glacier Megafridge Inc. that will construct, operate and maintain a cold chain facility in CDO.

ALI

1. On October 8, 2021, ALI and AREIT received the approval of the SEC of the property-for-share swap, specifically the subscription of ALI and its subsidiaries, Westview Commercial Ventures Corp. and Glensworth Development, Inc. (collectively referred to as Subsidiaries) to 483,254,375 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, under the Deed of Exchange dated June 8, 2021. In line with this, the parties have executed an Amendment to Section 4.2 of the Deed of Exchange on October 7, 2021 so

that the recognition of income from the new assets will accrue to AREIT beginning October 1, 2021, instead of November 1, 2021 (see Note 3).

2. On October 19, 2021, the ALI's BOD, at its regular meeting approved the following items:
 - a. The declaration of cash dividends of ₱0.1360 per outstanding common share payable on November 18, 2021, to stockholders of common shares as of record date November 3, 2021.
 - b. The amendments to the Related Party Transactions (RPT) Policy to include provisions on: (i) transactions deemed entered into in the ordinary course of business as part of related party transactions, the approval of which has been delegated to management; (ii) the annual reporting requirement of all RPTs executed for the year to ensure proper monitoring of RPTs; and (iii) the compliance with applicable transfer pricing of the Bureau of Internal Revenue.

AC Energy

1. On October 4, 2021, the 88 MW Ninh Thuan wind farm started commercial operations being the latest joint venture development with the BIM Group in Vietnam, making it as the ACEN Group's second largest market to date after the Philippines.

Located in South Central Vietnam, the US\$155 million wind farm features 22 units of GE Renewable Energy's Cypress turbines. This is the second joint project of ACEN and the BIM Group following the 405 MW Ninh Thuan solar farm, one of the largest solar farms in Southeast Asia.

2. On October 6, 2021, the 150 MW Ingrid Power Plant started to provide a much-needed boost in energy capacity and ancillary service. The quick response diesel power plant located in Pililla, Rizal, begins its operations to help remediate the spate of power supply disruptions and augment the energy supply amidst the Malampaya shutdown by starting to supply essential peaking and reserve power (see Note 10).

On October 12, 2021, Ingrid and APHPC executed the second Subscription Agreement for the subscription by APHPC to an additional 112,000 Redeemable Preferred F Shares with a par value of ₱100 per share and 1,034,000 Redeemable Preferred G Shares with a par value of ₱100 per share to be issued out of the unissued ACS of Ingrid, to maintain the 50% interest in the voting shares and in the economic rights as provided in the 2020 Agreement (see Note 10).

3. On October 15, 2021, the agreement was signed between AMI AC Renewables Corporation (AAR) and the U.S. Consulate in Ho Chi Minh City to formalize a US\$2,962,000 grant from the latter to develop Vietnam's pilot utility-scale battery energy storage system (BESS) in Khanh Hoa Province. AAR will integrate the 15 MWh/7.5 MW Khanh Hoa Energy Storage project into its operating 50 MW AMI Khanh Hoa solar farm.
4. On October 18, 2021, ACEN's BOD approved to acquire the remaining 51.6% stake in UPC-AC Renewables Australia joint venture. This transaction will raise ACEN's ownership in the renewables development platform to 100%.

ACEN, through its subsidiary ACRI, will acquire the interest of its joint venture partner UPC Renewables Asia Pacific Holdings and Mr. Anton Rohner (the Sellers) in UPC-AC Renewables Australia for a total consideration of US\$243.3 million, subject to adjustments. The Sellers will in turn subscribe to up to 942 million common shares of ACEN with a subscription price of ₱11.32/share, subject to adjustments. The acquisition is subject to satisfaction of agreed conditions precedent, and consents and regulatory approvals, including the consent or non-objection of the Foreign Investment Review Board of Australia.

5. On October 18, 2021, the BOD of ACEN also approved the following matters, among others:
 - a. The authority of Management to work towards the early retirement of SLTEC by 2040 (15 years ahead of its technical life) through the use of Energy Transition Mechanism ("ETM"). The ETM is an innovative funding mechanism that leverages low cost and long-term funding geared towards early coal retirement and reinvestment of proceeds to enable renewable energy;

- b. ACEN's commitment to spin-off all its thermal assets by 2025 and for this purpose (a) to enter a property-for-share swap with ACEX whereby ACEN will assign 100% of its equity in Palawan55, Bulacan Power, One Subic Power, CIPP, Ingrid3, valued at ₱3.39 billion, in exchange for 339 million primary shares to be issued by ACEX to ACEN at a price of ₱10.00 per share (the Share Swap), as supported by a fairness opinion from FTI Consulting Philippines, Inc. and subject to compliance with applicable regulatory requirements, and (b) to underwrite ACEX's Stock Rights Offer of ₱1.053 billion in relation to the Share Swap;
 - c. ACEN's acquisition, directly or through its nominated affiliate, of the ownership interest of UPC Philippines Wind Investment Co. BV (UPC Philippines) and Stella Marie L. Sutton in the following companies: NLR (the owner and operator of an 81MW operating wind farm in Brgy. Caparispisan, Pagudpud, Ilocos Norte), BWPC (the owner of the 160MW Pagudpud Wind that is currently under construction in Brgy. Balaoi, Pagudpud, Ilocos Norte), development special purpose vehicles Buduan Wind Energy Co., Inc, Pangasinan UPC Asia Corporation, Caraballo Mountains UPC Asia Corporation, Sapat Highlands Wind Corporation, and pipeline SPVs Itbayat Island UPC Asia Corporation, Laguna West Renewables, Inc., and Suyo UPC Asia Corporation, for an aggregate consideration of up to ₱4.5 billion (subject to adjustments), subject to agreed conditions precedent including required partner, financing, and regulatory approvals, and subject further to execution of definitive documentation;
 - d. The issuance of up to 390 million common shares to the owners, affiliates, and/or partners of UPC Philippines at ₱11.32 per share (subject to adjustments) and subject to agreed conditions precedent and applicable regulatory approvals;
 - e. The acquisition of ACEN, directly or through its affiliate, of the 32.2% ownership interest of the minority stockholders of NorthWind (the "NW Founders") for up to ₱1.093 billion (subject to adjustments), and subject to agreed conditions precedent including required partner, financing, and regulatory approvals;
 - f. The issuance of 90 million common shares to the owners, affiliate, and/or partners of the NW Founders at up to ₱11.32 per share (subject to adjustments), and subject to agreed conditions precedent and applicable regulatory approvals;
 - g. The joint venture with CleanTech Global Renewables, Inc. for the 200MWdc Lal-lo Solar Power Project in Lal-lo, Cagayan, subject to agreed conditions precedent, including applicable regulatory approvals, and subject further to execution of definitive documentation
6. As of October 19, 2021, the ACEN has complied with all post-approval requirements for the listing of the shares of ACE International which is the subject of the share-for-share swap transaction. The number of ACEN's listed common shares will be accordingly adjusted on October 22, 2021 listing date (see Note 3).
 7. On October 29, 2021, announced at the Ayala Sustainability Summit was the climate initiative collaboration between Ayala's energy and real estate businesses, a significant milestone toward the group's collective Net Zero ambition by 2050. ACEN and ALI have signed a power supply agreement for ACEN's 120 MW solar plant in Alaminos, Laguna to supply renewable energy that will help meet ALI's demand up to 2050. Alaminos Solar is one of the country's largest solar farms with 120 MW of renewables capacity and the first ever solar storage hybrid locally.

ACEN partnered with Green Antz, a company which also operates ALI's plastic recycling facility at the Arca South Ecohub, to pilot the circular approach in the Sustainability Hub and integrate a plastic waste management system. A total of 32,540 kg of plastic collected from the solar panel packaging materials in the project construction site, have been diverted from landfills to be upcycled into eco-bricks and used in building facilities within the plant.

8. On November 4, 2021, AC Energy has mandated Credit Suisse (Hong Kong) Limited as Dealer Manager for an any-and-all tender offer of its US\$400.0 million 5.65% guaranteed undated notes, of which US\$213.1 million is presently outstanding (the Tender Offer). The Notes were issued by AC Energy's wholly-owned subsidiary ACEFIL. The Tender Offer will expire at 4:00 p.m. (London Time) on 17 November 2021.

9. On November 11, 2021, the BOD of ACEIC, in its regular meeting, approved, among others, the following:
 - a. Declaration of regular and special dividends out of its unrestricted retained earnings as of September 30, 2021 amounting to ₱1.0 billion and ₱3.0 billion, respectively, to all stockholders of record as of same date; and the payment of such on or before December 31, 2021.
 - b. Redemption at par of 33,500,000 redeemable preferred shares held by Ayala Corporation for a total redemption price of ₱3.35 billion; and for the payout of such redemption to be made on or before December 31, 2021.

AYCFL

On November 11, 2021, AYCFL signed a 10-year Social Bond through private placement by the International Finance Corporation (“IFC”) amounting to \$100 million (the “Social Bond”), which will be used for the sustainable and resilient growth and capacity building of the Group’s healthcare arm, AC Health. The Social Bond will be unconditionally and irrevocably guaranteed by AC.

The transaction will be settled in January 2022 based on the prevailing base rate plus a certain spread, subject to the completion of the conditions precedents set forth by IFC. The Social Bond Program by IFC aligns with the Social Bond Principles and Social Loans Principles published by the International Capital Market Association. Sustainalytics was engaged to provide a second party opinion on the Social Bond Framework.

MWC

On October 8, 2021, the Consortium’s Project Company, IWP, has been awarded the MOMC of the NWC, Kingdom of Saudi Arabia for its Eastern Cluster. The MOMC will comprise the management, operations and maintenance of the water and wastewater facilities of the Eastern Cluster (i.e., Dammam, Al Hofuf, Al Jubail, Al Khobar, Al Qatif and Hafar Al Batin) over a seven (7)-year contract period, which will entail the implementation of enabling projects and deployment of key personnel to manage the Eastern Cluster and achieve the Key Performance Indicators target set by the NWC (see Note 3).

The award comes after the commencement of the MOMC for the North West Cluster (i.e., Madinah and Tabuk), which was also awarded to IWP.

BPI

The BSP, in its letter to BPI dated October 4, 2021, indicated that the Monetary Board of BSP approved the proposed merger on September 30, 2021. BPI will now proceed with filings with the SEC (see Note 10).

Globe

- 1 On October 26, 2021, Globe raised a US\$600 million Reg S only non-call 5-year US dollar-denominated senior perpetual capital securities (Securities), with an initial distribution rate of 4.20%, and payable semi-annually. The Securities shall be accounted for by Globe as an Equity Instrument. The Securities are unrated and have been received by the SGX-ST for listing and quotation. The net proceeds from the issue of the Securities will be used to finance Globe’s capital expenditures, maturing and/or existing obligations, and for general corporate requirements. The final order book was oversubscribed by more than 3 times, allowing Globe to upsize the transaction to US\$600 million and tighten final pricing by 30 basis points to 4.20% from the initial price guidance of 4.50%.
- 2 On November 2, 2021, Mynt, the company behind the GCash payment services app, has raised over \$300 million in funding, valuing Mynt at over \$2 billion. The investment round was led by global investment giant Warburg Pincus, New York-based global private equity and venture capital firm Insight Partners, and Bow Wave Capital, one of Mynt’s existing investors. The round also includes participation from Itai Tsiddon and Amplo Ventures as well as capital from Globe and Ayala. Also, as a result of this new investment in Mynt, Globe and Ant’s ownership will each be diluted to around 35% from 40%. Bow Wave and Ayala will hold 14% and 5% respectively, while the new investors collectively will hold around 11%.

26. Impact of the Coronavirus Disease 2019 (COVID-19) Outbreak

The declaration last March 2020 by World Health Organization (WHO) of COVID-19 as a pandemic led to government-mandated lockdowns in several countries. The declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country immediately took effect. These factors including immediate action to contain COVID caused disruptions in the Group's business activities – both in local and foreign operations.

ALI

ALI group was significantly affected - from construction, real estate sales, leasing to resorts and hotels operations segments. While there are recent signs of increased market activity with the easing of quarantine measures and increased mobility in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain.

On March 27, 2021, with rising new COVID-19 cases, the government placed the NCR and the neighboring provinces of Cavite, Laguna, Bulacan and Rizal (NCR Plus) under ECQ starting March 29 until April 11, 2021. Thereafter, the NCR Plus was placed under MECQ from April 12 until May 14. From May 15 until June 14, 2021 the NCR was transitioned to GCQ with heightened restrictions. This was further eased to GCQ with some restrictions from June 14 until July 15.

These measures inevitably resulted in disruptions to economic activities. Up to this time, the impact to business activities continue to evolve.

The lower 2021 financial performance is mainly attributed to the COVID-19 pandemic and the imposition of the community quarantine.

As of September 30, 2021, revenues improved 34% to ₱48.96 billion from the same period last year, showing significant improvements in performance compared to the onset of the pandemic:

- Property development revenues registered a 48% jump to ₱30.5 billion propelled by construction progress and higher bookings.
- Shopping center revenues meanwhile dipped 43% to ₱3.4 billion reflecting limited operations, ongoing rent discounts to support tenants and low foot traffic.
- Hotels and resorts revenues ended 42% lower as resort operations were restricted from the end of March until April due to the reimposition of the ECQ and hotels continue to experience lower average occupancy.
- Property Management and Others Services' revenues registered 33% less at ₱1.2 billion from lower power consumption of customers and limited operations of AirSWIFT.

ALI continues to revise its cash flow projections to take into account the slowdown in residential sales, the rent concessions provided to mall tenants, as well as the significantly lower occupancy of hotels and resorts. Moreover, cost of debt and gearing is carefully managed to maintain the strength of the balance sheet. The ALI Group continues to monitor the situation.

To address the impact of the pandemic ALI's management team pivoted its strategy and introduced the 5-point action plan in 2020 to ensure the survival of the company and extend assistance to its various stakeholders.

The key objectives of this plan are to protect the employees, continue to serve customers, help the community and think ahead towards recovery. These were all underpinned with the goal of ensuring the financial sustainability of the company.

IMI

The manufacturing operations of IMI was highly affected by lockdowns in China, Philippines and Mexico and voluntary shutdowns in the Europe factories to align with the demand slowdown during the first half of the year. Revenues in the second half of the year recouped, 39% better than first half and 7% higher year-on year on the back of strong demand recovery and subsequent normalization of operations. The global demand for security and I-o-T products boosted industrial revenue while mobility-focused European and North American facilities benefitted from the rapid rise of global automotive production. In addition, IMI's growing foothold in the profitable medical segment also led to increased higher margin sales for its manufacturing plants in Asia.

To mitigate the impact of the lockdowns, various sites affected obtained approvals to run essential businesses, optimized manpower resources and implemented various cost cutting initiatives. IMI Group also collaborated with local government units to secure various forms of employee related subsidies in Bulgaria, China, Czech Republic, France, Mexico, Serbia, and Singapore. These, along with improved manufacturing efficiency drove improved margins and lower losses compared to last year.

The effects of potential recurrence of pandemic related shutdowns after the reporting period may pose risks and unfavorable impact to the Company but will not materially affect the Company's ability to continue as going concern.

ACEIC

With respect to ACEIC Group's operations in the Philippines, the community quarantines resulted in delays in the construction of power projects, a decline in demand for ACEIC Group's output from industries, offices, and shopping malls which account for the bulk of energy consumption, and a decline in WESM prices as demand for electricity decreased. In addition, the ERC directed distribution utilities and retail electricity suppliers to allow consumers a grace period for the payment of their electric consumption without interest, penalties and other charges.

Nevertheless, as the Department of Energy recognizes that energy utilization is a basic necessity and is vital to the society, the movement of energy related good and the movement of energy related personnel, subject to adherence to necessary public health precautions prescribed by the Department of Health, continue to be permitted. As such, ACEIC Group continues to ensure uninterrupted access to power regardless of any community quarantine restrictions imposed. Construction has resumed in ACEIC Group's project located in the Philippines, while construction in Vietnam, and India has been proceeding as planned. The Company's operations in Vietnam and Indonesia were not significantly affected by the outbreak and continue to enjoy stable cash flows pursuant to long term contracts and FIT schemes.

MWC

On March 29, 2021, the Metropolitan Waterworks and Sewerage System Regulatory Office (MWSS RO), directed MWC and Maynilad Water Services, Inc. (Maynilad) to suspend all service disconnection activities for the duration of the enhanced community quarantine (ECQ) period (from March 29 to April 4, 2021) and to ensure the availability of an uninterrupted 24-hour water supply within their service areas. On April 12, 2021, this MWSS RO directive was extended until such time that the modified enhanced community quarantine (MECQ) has been lifted.

Also, in line with the execution of the Revised Concession Agreement, no tariff increases will be implemented until December 31, 2022 as a way to help alleviate the customers' plight amid challenges brought about by the COVID-19 pandemic. Service obligations will be adjusted in line with the new standards under the Revised Concession Agreement, with corresponding realignments to the 2018 Service Improvement Plan to be finalized with MWSS.

MWC is continuously evaluating potential impact of the COVID-19 pandemic to the Group's financial assets including the assumptions in the calculation of the expected credit loss for financial assets and impairment testing for goodwill and other nonfinancial assets.

As of September 30, 2021, the impact of the COVID-19 pandemic on MWC's financials operations and financial position was a customer mix that has shifted in favor of the residential and semi-business segments as of the end of the period; and additional operational expenses in relation to the pandemic; and negative impact on revenues of Boracay Water which was affected by the drop in tourist arrivals.

BPI

COVID-19 continues to pose a challenge to BPI, insofar as ensuring personnel health and safety, and in continuing operations with a significant portion of the workforce on work-from-home arrangements. Nevertheless, BPI's strategic initiatives on digitalization, improvements on IT infrastructure and cybersecurity technology, and availability of business recovery sites enabled the continued delivery of BPI's products and services to its customers. BPI remains operational as it implemented split operations to ensure containment in the event of infection; identification of

skeletal workforce, activation of alternate work sites and/or mobility areas to improve accessibility of BPI's employees to office premises, adjustment of working hours and work-from-home arrangements. BPI had also launched the mobility program for certain employees equipped with adequate tools to allow work outside of BPI's premises. These allowed BPI to lessen the density in the corporate offices and fully comply with the employee/social distancing rules.

Globe

Globe's business operations and commitment to service amid Covid-19:

- assures its customers that it will continuously deliver service support and keeps its digital channels operational 24/7;
- to provide connectivity and communications support for the government's COVID-19 projects (GoWiFi's free, reliable internet connections and Automated Mobile Blaster services);
- FREE COVID-19 and Dengue Insurance for 3 months powered by GInsure and Singlife for postpaid subscribers of Globe At Home;
- extended its free data access to the Globe eLibrary and essential learning platforms of the national government until 2022;
- calls on its customers to play a part in the fight against Covid and lend their support to frontliners by donating their Globe Rewards points to the PGH Medical Foundation, Inc. (PGHMF), as hospitals and other medical facilities report full capacity status due to the alarming surge of Covid cases in the country;
- GOMO is a fully digital service brand of Globe created to address the needs of the underserved digitally savvy yuppie segment;
- Globe aided over 200 community pantries nationwide by leveraging on its partnership with PureGold through the PureGo app. Aside from providing grocery items to feed the hungry, Globe also donated prepaid load cards.
- As part of Globe's vaccination program over 90% percent of Globe's over 8,000 workforce are now fully vaccinated, which reinforces Globe's support for the government's intensified national vaccination rollout to reach herd immunity and help the country's economic recovery.
- Local government units have turned to Globe for SMS solutions that would help them quickly, easily, and securely send out official text alerts and announcements for their respective vaccination programs.
- The launch of two digital stores called "Globe Shop & Pay" which aims to create a better experience for Filipinos looking for safe and convenient ways to make transactions in the new normal.

iPeople

The continuing suspension of face-to-face classes that started in March 2020 covered all of the schools under the IPO Group. Disruptions to the operations of iPeople and its schools during and beyond the quarantine period will be mitigated with the utilization of alternatives means to continue the students' academic work, including adoption of on-line classes, coursework online, and independent projectized learning. Measures are also in place to address the risk to the health and safety of our employees, teachers, and communities.

The IPO Group recognized the health and business risks posed by the virus to the general public and the need to join the collective effort in mitigating the spread of COVID-19. In the face of this global crisis, IPO remains collected and vigilant as it operates and maintains mitigation efforts to help safeguard the health and safety of its employees and students. Considering the evolving nature of this outbreak, IPO is continuously assessing at this time the impact to its financial position, performance and cash flows. The IPO Group has taken measures to manage the risks and uncertainties brought about by the outbreak and will continue to monitor the situation.

Section 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section includes financial and operating data with respect to Ayala's subsidiaries (Ayala Land, Inc., Integrated Micro-Electronics, Inc., and AC Energy and Infrastructure Corporation with listed subsidiary AC Energy Corporation (ACEN)), Associates (Bank of the Philippine Islands and Manila Water Company, Inc.) and Joint Venture (Globe Telecom, Inc.). This section should be read in conjunction with the financial highlights of these investees. The financial highlights as contained in their respective December 31, 2020 audited financial statements and SEC 17A reports of these investees are available for viewing at the office of the Philippine Securities and Exchange Commission located at the Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, or at these companies' official websites, as applicable.

This section also includes discussion of financial ratios. These financial ratios are unaudited and are not measurements of profitability in accordance with PFRS and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

Pre-PFRS pertains to amounts prior to re-presentation of operations under PFRS 5, as applicable.

9M21 vs 9M20 Highlights

- Ayala Corporation's reported net income in the first nine months of the year expanded 70 percent to ₱19.4 billion on improved performance of most of its business units. The strong performance was boosted by gains from the partial divestment of the group's thermal assets and AC Health's acquisition of Qualimed Health Network earlier in the year.
- In the third quarter alone, stripping out the impact of the gains, Ayala's core net income still grew 27 percent to ₱6 billion, driven by higher contributions from Ayala Land, Globe, AC Energy, AC Health, and AC Ventures.
- The group completed the sell-down of 45 percent of its stake in the GN Power Kauswagan coal facility in September. Gains from the divestment totaled ₱3.5 billion, including remeasurement gains on the retained interest.
- Ayala's core value drivers posted better results during the nine-month period.
 - Ayala Land registered a net income growth of 35 percent to ₱8.6 billion, as business operations continued to improve despite the reimposition of stricter quarantine restrictions.
 - BPI's net income increased 1.8 percent to ₱17.5 billion due to lower loan loss provisions.
 - Globe's net income increased 13 percent to ₱18 billion as gross service revenue improvement, lower non-operating charges, and the positive impact of the CREATE law fully covered higher operating expenses and depreciation.
 - AC Energy (ACEN) posted a net income growth of 22 percent to ₱4.3 billion on strong power demand in Luzon and increased operating capacity.
- Ayala's portfolio investments in water infrastructure and industrial technologies likewise turned in better results in the period.
 - Manila Water's net income grew six percent to ₱3.4 billion, mainly due to the absence of provisions and adjustments made in the same period last year.
 - AC Industrials significantly narrowed its net losses from ₱2.1 billion to ₱1.2 billion due to better results across its subsidiaries, including IMI and AC Motors.
- Meanwhile, Ayala's core net income, which isolates the effect of divestment gains, higher loan loss provisions, remeasurement losses, and the net retroactive effect of the CREATE law, was flat at ₱19.3 billion during the nine-month period. Likewise netting out divestment gains incurred in 2019, core net income translates to 83 percent of Ayala's pre-pandemic level.

- On a topline basis, Ayala's nine-month revenues grew 19 percent to ₱182.5 billion year-on-year, led by improvements from Ayala Land, Globe, AC Energy, and AC Industrials:
 - Ayala Land's revenues were up 15 percent to ₱72.6 billion, mainly driven by the property development business.
 - Globe's topline increased four percent to ₱113.6 billion on sustained demand for mobile and home broadband data.
 - AC Industrials' revenues soared 22 percent to ₱61.7 billion as business operations improved across its portfolio of businesses.
 - AC Energy's revenues expanded 24 percent to ₱18.9 billion resulting from higher operating capacity and demand recovery.
 - On the other hand, BPI continued to navigate through the challenges of the pandemic as its revenues softened by six percent to ₱71.6 billion as the growth in fee-based income was weighed down by lower net interest and non-interest incomes.

3Q21 vs 2Q21 Highlights

- Ayala's reported net income increased 78 percent to ₱9 billion in the third quarter from the second quarter of 2021, lifted by gains from the divestment of thermal assets and AC Health's acquisition of Qualimed.
- Without these gains, Ayala's core net income declined two percent to ₱6 billion owing to stricter quarantine restrictions imposed in the third quarter.

Consolidated Sales of Goods and Services

- Sale of goods and rendering services increased 20 percent to ₱160.1 billion mainly due to higher residential bookings, and higher tourism lot sales in Ayala Land, better operation across all sites in IMI, higher vehicle sales in AC Motors on the back of looser quarantine restrictions, and higher revenues in AC Energy from the consolidation of Islasol and Sacasol, and consolidation of Qualimed into AC Health.

Real Estate

- Ayala Land posted total revenues of ₱72.6 billion and net income of ₱8.6 billion, a year-on-year growth of 15 percent and 35 percent, respectively.
- Property development revenues registered a growth of 27 percent to ₱51.5 billion driven by continuing construction progress and higher bookings.
 - Residential revenues increased 29 percent to ₱44.5 billion on higher bookings and project completion.
- Residential sales reservations grew 15 percent to ₱70.1 billion largely due to the strong sales performance earlier in the year.
 - Third quarter sales reservations tallied to ₱21.8 billion, 11 percent up from the previous quarter but three percent lower from the same quarter last year.
- Ayala Land launched four projects worth ₱13 billion in the third quarter alone, bringing the total projects launched in the first nine months of the year to 18 valued at ₱59.1 billion.
- Commercial leasing revenues declined 18 percent to ₱14.2 billion as operations of malls, hotels, and resorts were restricted with the reimposition of ECQ in August.
 - Shopping center leasing revenues went down 35 percent to ₱4.9 billion.
 - Office leasing income improved five percent to ₱7.5 billion as business process outsourcing and headquarter operations were steady throughout the period.
 - Hotels and resorts rental revenues decreased 29 percent to ₱1.9 billion.

- Capital expenditures reached ₱44.7 billion in the first nine months of the year, with more than half deployed towards residential projects.

Power

- AC Energy Corporation's net income grew 22 percent to ₱4.3 billion on the back of additional operating capacity and power demand continued to recover.
- ACEN's equity in earnings from international assets rose 41 percent to ₱3.4 billion with the expansion of its overseas portfolio and completion of several new plants, as well as interest income from development loans extended to project companies. The company completed 380MW of wind projects in Vietnam in the last few months.
- The company's Philippine operations dipped three percent to ₱3.2 billion as higher earnings from renewable energy plants were tempered by high spot electricity purchases and maintenance outages at SLTEC.
- ACEN has recently commenced construction of the 283MW San Marcelino solar farm, which is slated to be the largest solar farm in the Philippines. This is in addition to the 160MW Pagudpud wind farm under construction, set to be the biggest wind farm in the country to date. This brings ACEN's renewable energy capacity to 2,356MW, on track to achieving its 5,000MW goal by 2025, toward its vision to become the largest listed renewables platform in Southeast Asia.
- In September, ACEN raised US\$400 million in undated fixed-for-life Green Bonds at a 4.0 percent interest rate. The securities are listed on the Singapore Exchange's SGX-ST platform. With previous equity issuances and the investment by GIC's Arran, ACEN has raised close to US\$1 billion in fresh capital in 2021 alone.
- In October, the ACEN Board approved the acquisitions of UPC-AC Renewables Australia, UPC Renewables Philippines, and additional stakes in the 52MW North Wind facility. These acquisitions are expected to add 154 MW to the company's portfolio and expand its pipeline by roughly 5,000 MW.

Industrial Technologies

- AC Industrials significantly narrowed its net losses to ₱1.2 billion in the first nine months of 2021 from ₱2.1 billion in the same period last year as IMI saw improved utilization across its plants and recovering markets, while AC Motors saw stronger demand from a recovering market and benefited from looser quarantine measures.
- IMI recorded a lower net loss of US\$5.3 million vis-à-vis US\$11.9 million in the same period last year despite new rounds of government mandated restrictions that slowed down recovery of major suppliers in the component industry.
- Meanwhile, AC Motors' revenues grew 27 percent to ₱12.1 billion in the first nine months as the Philippine automotive market continues to recover. Both automotive and motorcycle businesses grew, buoyed by new models launched across the portfolio.

Share in Net Profits of Associates and JV

Share in net profits of associates and joint ventures increased 20 percent to ₱17 billion due to higher revenues from home prepaid wi-fi and lower tax expense from the impact of the CREATE law in Globe, higher equity in net earnings resulting from GNPD's liquidating damages in AC Energy, and better performance from associates and joint ventures of Ayala Land. As a percentage of total revenues, this account was nine percent in September 30, 2021 and 2020.

Banking

- BPI's net income increased 1.8 percent to ₱17.5 billion due to lower loan loss provisions.
- Total revenues decreased six percent to ₱71.6 billion from softer net interest income and non-interest income.

- Net interest income dipped six percent to ₱51.2 billion because of a 21-basis point contraction in net interest margin, which ended at 3.31 percent.
- Non-interest income similarly declined seven percent to ₱20.5 billion due to lower trading income, which was cushioned by a 27.2 percent growth in fee-based income.
- Total loans increased one percent to ₱1.4 trillion on the back of higher mortgage, credit card, and microfinance loans.
- Total deposits increased seven percent to ₱1.8 trillion as CASA grew 12 percent, which offset an 11 percent decrease in time deposits.
 - CASA ratio stood at 80.1 percent.
 - Loan-to-deposit ratio was 77.2 percent.
- The bank booked ₱10.3 billion in provisions in the period ending September, 50 percent lower than the same period last year. NPL ratio decreased to 2.73 percent from 2.98 percent, with NPL coverage ratio increased to 130.7 percent from 100.5 percent.
- Total assets grew three percent ₱2.3 trillion. Total equity increased to ₱291.8 billion, with a Common Equity Tier 1 Ratio of 16.76 percent and a Capital Adequacy Ratio of 17.64 percent, both well above regulatory requirements. Return on Equity was 8.3 percent, while Return on Assets was 1.1 percent.
- In line with its aspiration to become the country's undisputed digital leader in banking, BPI's digital vision underpins its commitment to customers as it aims to be Filipinos' everyday bank.
 - Deliver outstanding customer journeys through seven digital banking platforms designed for a particular client in mind. BPI has already launched four platforms with three more in the pipeline.
 - Expanding its digital ecosystem through open banking initiatives, which includes closer collaboration with GCash, creating more partnerships with various public and private institutions, and offering various off-app capabilities
 - Today, a little over half of the bank's client base is enrolled in the various digital platforms, of which 66 percent are active users. 91 percent of BPI's transactions are now done digitally, a surge from the 85 percent prior to the pandemic.

Telco

- Globe's net income increased 13 percent to ₱18 billion in the first nine months as gross service revenue improvement, lower non-operating charges, and the positive impact of the CREATE law fully covered higher operating expenses and depreciation.
- Excluding forex, mark-to-market gains and losses, and non-recurring items, Globe's core net income grew 17 percent to ₱18.3 billion.
- Total service revenues grew four percent to ₱113.6 billion driven by data revenues led by mobile data and home broadband. Total data revenues accounted for 80 percent of total service revenues, a growth of four percentage points from the same period last year.
- Growth in data was present in all segments, most evident in the upward momentum of Globe's mobile data and home broadband categories.
 - Mobile data revenues increased eight percent to ₱57.9 billion.
 - Mobile data traffic grew 55 percent to 2,730 petabytes.
 - Home broadband revenues soared 15 percent to an all-time high of ₱22.4 billion.
 - Home broadband subscriber base grew seven percent to 3.7 million customers.
 - Corporate data expanded 11 percent to ₱10.4 billion.
- EBITDA grew one percent to ₱56.9 billion due to higher costs and expenses attributed to more spending to support its aggressive network expansion and improve customer digital lifestyle experience.
 - Operating expenses including subsidy grew seven percent to ₱56.6 billion.
 - EBITDA margin consequently contracted by two percentage points to 50 percent.

- Capital expenditures soared to an all-time high ₱65.4 billion, representing 58 percent of gross service revenues and 115 percent of EBITDA. Moreover, 84 percent of the investment went to data network builds to help boost mobile and internet experiences for a greater number of Filipinos.
- As a result of continuous modernization of its network to make 4G LTE, 5G, and fiber technology available to more customers nationwide, Globe has made strides in improving its overall network data infrastructure:
 - New cell towers ramped up to 1,080, an improvement of 82 percent
 - Upgraded at least 12,900 sites
 - On the fixed line front, it has installed over one million fiber-to-the-home lines
- Globe's subsidiary, Mynt, the Philippines' top digital financial solutions provider and the company behind GCash, has raised over USD\$300 million in funding, valuing Mynt at over USD\$2 billion. This solidifies its status as the country's only unicorn, and as one of the leading fintech companies in Southeast Asia. The investment round was led by global investment giant Warburg Pincus, New York-based private equity and venture capital firm Insight Partners, and Bow Wave Capital, one of Mynt's existing investors. The round also includes participation from Itai Tsiddon and Amplo as well as capital from Globe and Ayala.

Cost and Expenses

- Cost of sales and services increased 25 percent to ₱123.8 billion, in line with higher sale of good and rendering services. As a percentage of total costs and expenses, this account was 86 percent and 82 percent in September 30, 2021 and 2020, respectively.
- General and administrative expenses decreased six percent to ₱20.3 billion due to lower expenses from restricted operations, cost saving measures across business units, impact of last year's impairment provision on certain investments, reversal of provisions for inventories and equipment. As a percentage of total cost and expenses, this account was 14 percent and 18 percent in September 30, 2021, and 2020, respectively.
- Interest expense & other charges increased two percent to ₱20.7 billion due to increased borrowings in Ayala parent company, Ayala Land, and AC Energy.

Balance Sheet Highlights

- Total assets decreased 3.3 percent to ₱1.36 trillion from end-2020 level mainly due to the 94 percent decrease of Assets under PFRS 5 to ₱12 billion because of the deconsolidation of Manila Water.
 - Cash & cash equivalents and Short-term investments jointly increased 41 percent to ₱125.9 billion resulting from dividend collection, FFL bond issuance proceeds from AC Energy and AYCFL partially offset by capital infusions, purchase of Ayala Land shares, redemption of treasury shares, dividend payout, and payment of trade payables and lower cash collections in certain business units.
 - Noncurrent receivables increased 58 percent to ₱90.5 billion from higher accounts of AC Energy group.
 - Investments in associates and joint ventures increased 12 percent to ₱285.2 billion due to retained investments in Manila Water, equity earnings partially offset by dividends from BPI and Globe, additional investments of Ayala Land and AC Energy, and higher equity earnings of investees.
- Total debt increased 15 percent to ₱509 billion from end-2020 level due to the FFL bond issuance of AC Energy and AYCFL, loan drawdowns offset by loan settlements in Ayala, Ayala Land, and AYCFL, and the consolidation of Qualimed accounts in AC Health.
- Parent level cash stood at ₱26.8 billion.
- Parent net debt stood at ₱125 billion.
- Parent net debt-to-equity ratio stood at 100 percent.

- Consolidated net debt-to-equity stood at 70 percent.
- Loan-to-value ratio, the ratio of its parent net debt (excluding the fixed-for-life perpetuals which have no maturity) to the total value of its assets, was at 7.8 percent.
- In September, Ayala completed the issuance of its US dollar-denominated fixed-for-life (non-deferrable) senior perpetual Notes with an aggregate principal amount of US\$400 million with a fixed coupon of 3.90 percent for life, with no step-up. It subsequently used the net proceeds of the Notes to refinance portions of Ayala's US dollar-denominated guaranteed Undated Notes.
 - Ayala paid down US\$100 million in aggregate principal amount of its 5.125 percent Undated Notes and US\$35 million in aggregate principal amount of its 4.85 percent Undated Notes. Aggregate amounts of US\$300 million and US\$365 million, respectively, remained outstanding after payment.

Key Performance indicators:

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

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

Ratio	Formula	September 2021 (Unaudited) <i>(In thousands)</i>	December 2020 (Audited)/ September 2020 (Unaudited)	September 2021 (Unaudited)	December 2020 (Audited)/ September 2020 (Unaudited)
Liquidity Analysis Ratios					
Liquidity Ratio*	Cash & Cash equivalents + Short-term investments	125,921,754	89,476,366	0.42	0.22
	Current Liabilities	302,995,478	400,529,685		
	Cash & Cash equivalents	124,875,897	88,653,956		
	Short-term investments	1,045,857	822,410		
	Total	125,921,754	89,476,366		
Current Ratio*	Current Assets	531,171,789	657,893,956	1.75	1.64
	Current Liabilities	302,995,478	400,529,685		
Quick Ratio*	Quick assets	329,262,532	284,383,300	1.09	0.71
	Current Liabilities	302,995,478	400,529,685		
	Current assets	531,171,789	657,893,956		
	Inventories	(169,641,840)	(160,871,941)		
	Assets under PFRS 5	(12,041,958)	(196,136,570)		
	Prepayments	(20,225,459)	(16,502,145)		
	Quick assets	329,262,532	284,383,300		
Solvency Ratio*	Total Assets	1,359,772,750	1,405,757,992	1.68	1.63
	Total Liabilities	809,168,529	863,335,881		
Financial Leverage Ratios					
Assets- to-Equity Ratio*	Total Assets	1,359,772,750	1,405,757,992	2.47	2.59
	Total Stockholders' Equity	550,604,221	542,422,111		
Interest Rate Coverage Ratio**	Earnings Before Interest and Taxes (EBIT)	49,526,431	39,840,037	2.39	1.95
	Interest and other financing charges	20,746,680	20,397,039		
	Income after income tax from continuing operations	25,243,846	15,348,435		
	Provision for income tax	3,535,905	4,094,563		
	Interest and other financing charges	20,746,680	20,397,039		
	EBIT	49,526,431	39,840,037		
Debt Ratio*	Short-term debt + Long-term debt	508,991,405	441,754,257	0.37	0.31
	Total Assets	1,359,772,750	1,405,757,992		
	Short-term debt	52,225,204	32,439,507		
	Long-term debt (current & noncurrent)	456,766,201	409,314,750		
	Total debt	508,991,405	441,754,257		

Debt-to-Equity Ratio*	Short-term debt + Long-term debt	-	508,991,405	441,754,257	92.4%	81.4%
	Total Stockholders' Equity		550,604,221	542,422,111		
Net Debt-to-Equity Ratio*	Net debt	-	383,069,651	347,082,515	69.6%	64.0%
	Total Stockholders' Equity		550,604,221	542,422,111		
	Short-term debt		52,225,204	32,439,507		
	Long-term debt (current & noncurrent)		456,766,201	409,314,750		
	Total debt		508,991,405	441,754,257		
	Less:					
	Cash and cash equivalents		124,875,897	88,653,955		
	Short-term investments		1,045,857	822,410		
	Restricted cash		-	5,195,377		
	Net debt		383,069,651	347,082,515		
Profitability Ratios						
Gross Profit Margin**	Sale of goods & rendering of services - Cost of sales & services		36,370,268	34,443,817	0.23	0.26
	Sale of goods & rendering of services		160,140,500	133,147,417		
	Sale of goods & rendering of services		160,140,500	133,147,417		
	Cost of sales & services		(123,770,232)	(98,703,600)		
	Gross profit		36,370,268	34,443,817		
Net Profit Margin**	Net Profit		16,061,317	12,774,668	0.10	0.10
	Sale of goods & rendering of services		160,140,500	133,147,417		
	Gross profit		36,370,268	34,443,817		
	General and administrative expenses		(20,308,951)	(21,669,149)		
	Net Profit		16,061,317	12,774,668		
Return on Equity**	Net Income to Owners of the Parent		19,358,840	11,367,534	3.5%	2.1%
	Total Stockholders' Equity		550,604,221	534,286,568		
Return on Common Equity***	Net Income to Owners of the Parent (Common)		18,411,137	10,419,831	5.7%	3.4%
	Common Equity Attributable to Owners of the Parent (Average)		321,693,416	307,898,630		
	Net income to owners of the Parent		19,358,840	11,367,534		
	Less: Dividends on preferred stock		(947,703)	(947,703)		
	NIAT to Common		18,411,137	10,419,831		
			September 2021 (Unaudited)	December 2020 (Audited)		
	Equity attributable to owners of the parent		354,000,505	339,179,770		
	Less:					
	Preferred Shares - A		1,200,000	1,200,000		
	Preferred Shares - B		5,800,000	5,800,000		
	Voting Preferred Shares		200,000	200,000		
	Additional paid-in capital - preferred shares		19,696,722	19,696,722		
	Treasury shares - preferred shares		(2,000,000)	(2,000,000)		
			24,896,722	24,896,722		
	Common equity attributable to owners of the Parent		329,103,783	314,283,048		
	Average common equity attributable to owners of the Parent		321,693,416			
			September 2020 (Unaudited)	December 2019 (Audited)		
	Equity attributable to owners of the parent		336,784,360	328,807,265		
	Less:					
	Preferred Shares - A		1,200,000	1,200,000		
	Preferred Shares - B		5,800,000	5,800,000		
	Voting Preferred Shares		200,000	200,000		
	Additional paid-in capital - preferred shares		19,696,722	19,697,642		
	Treasury shares - preferred shares		(2,000,000)	(2,000,000)		
			24,896,722	24,897,642		
	Common equity attributable to owners of the Parent		311,887,638	303,909,623		
	Average common equity attributable to owners of the Parent		307,898,630			
Return on Assets**	Net Income		23,981,090	17,268,934	1.8%	1.2%

	Total Assets	1,359,772,750	1,404,037,284		
Price/Earnings Ratio**	Price Per Share	817.00	689.00	27.73	41.56
	Earnings Per Common Share (Basic)	29.46	16.58		
Other Ratio					
Book Value per Share*	Common Equity Attributable to Owners of the Parent	329,103,783	314,283,048	531.07	500.92
	Outstanding Common Shares	619,696	627,415		

* Based on "As at" September 30, 2021 and December 31, 2020 balances.

** Includes both "As at" and "Period ended" September 30, 2021 and 2020 balances.

*** Includes both "As at" and "Period ended" September 30, 2021, December 31, 2020, September 30, 2020 and December 31, 2019 balances.

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

The Group does not expect any liquidity problems and is not in default of any financial obligations. The Group complied with the existing loan covenants and restrictions as of September 30, 2021.

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 2021, Ayala has programmed approximately ₱196 billion in group capital expenditure (capex). Parent-only capex stood at ₱16.9 billion as of the nine-month period ended September 2021, which went mostly to AC's recent ALL share block purchases in June-July.

ALI's full-year 2021 capex budget is ₱88 billion, of the total amount, capital expenditures reached ₱44.65 billion in the first nine months of 2021, mainly for residential projects, the development of estates, and commercial leasing assets. 54% was spent on residential projects, 16% on estate development, 14% on commercial projects, and 13% on land acquisition.

Globe's total capex as of end-September 2021 reached ₱65.4 billion, which already surpassed last year's full year investment of ₱60.3 billion. Around 84% of the capex spent this period went to data network builds to help boost mobile and internet experiences for a greater number of Filipinos..

IMI's capex amounted to \$23.9 million in the first nine months of 2021 versus \$11.8 million in the same period last year. For the full year of 2021, IMI expects to spend \$35M on capex for existing operations and new expansion projects for next year.

MWC ended the first nine months of 2021 with total capital expenditures of 9,052 million, with 6,997 million or 77% of said amount accounted for by the East Zone Concession. Majority of the East Zone Concession's capital expenditures were undertaken for wastewater expansion, network reliability and water supply projects in line with the fulfillment of service obligations outlined in its government-approved Rate Rebasing Service Improvement Plan. The balance was accounted for by concession fees paid to MWSS. Meanwhile, total capital expenditures of the domestic subsidiaries amounted to 2,055 million, with 545 million undertaken by Laguna Water for its water network expansion, while Clark Water disbursed 528 million. Estate Water spent 629 million during

the period for its greenfield and brownfield projects, while the balance was taken on by the remaining subsidiaries for its various projects.

(Refer to Section – 2 MD&A portion for details).

- 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 Parent 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.

AC Group shall continue to align our key strategies and adjust our business models to be able to adapt to changing consumption patterns, consumer behaviors, business and regulatory environment as quickly as possible in order to remain relevant, manage execution and expansion risks and to preserve value in the midst of this pandemic.

- 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)

- A. The June 3, 2021 execution of Shareholders' Agreement among, Ayala, together with its wholly-owned subsidiaries, Philwater and ACEIC, and Trident Water Company Holdings Inc. as part of the closing actions for the latter's subscription to common shares in MWC. (see Notes 3 and 20). This resulted in the deconsolidation of MWC as of mentioned date.

Prior to the above, the related subscription agreement between MWC and Prime Strategic Holdings, Inc. (previously Prime Metroline Holdings, Inc.) was originally signed in February 2020 which then resulted in the following classification of MWC accounts in the Ayala consolidated financial statements: assets/ liabilities under PFRS/ IFRS 5 in the Balance Sheet as of December 31, 2020; and operations under PFRS/ IFRS 5 in the Income Statement for period ending June 3, 2021 and September 30, 2020 (see consolidated Balance Sheet and Income Statement below).

- B. The balance sheet accounts of GNPk from AC Energy group were similarly classified as assets and liabilities under PFRS/ IFRS 5. Significant developments on this account are discussed Notes 3 and 20 of the Group's September 30, 2021 unaudited interim condensed consolidated financial statements.
- C. Another key transaction that affected the Group's consolidated balance sheet and income statement is AC Health Group's consolidation of Qualimed/MGHI (see Note 3). This resulted in higher balances for certain assets and liabilities accounts. In the income statement, revenues costs and expenses similarly increased due to this consolidation.
- D. The Covid-19 impacted the health and economy globally. Consequently, this affected the operations of the Group in year 2020 and ensued to year 2021 with continued restricted mobility and community quarantines.

Balance Sheet Items

As at September 30, 2021 vs. December 31, 2020

Cash & cash equivalents and Short-term investment – 41% increase from combined balance of ₱89,476 million to ₱125,922 million

Increase coming from: AC Energy's subsidiary, ACEN, as proceeds from SRO, FOO and issuance of shares to Arran/GIC; inflows from FFL bond issuance of AC Energy and AYCFL; net borrowings of AC and certain BUs; sale of receivable by ALI, dividend collection of AC. These were partly offset by: AC's capital infusions to investees, purchase of additional ALI shares; redemption of treasury shares by AC and ALI; ALI's dividend payout; declines in AC Industrials, IMI and AC Infra due to payment of trade payables and lower cash collections. These accounts comprise 9% and 6% of the total assets as of September 30, 2021 and December 31, 2020, respectively.

Accounts and notes receivable:

(in Millions)	September 2021	December 2020	% Inc (Dec)	% of Total Assets	
				September 2021	December 2020
Current	139,853	137,094	2%	10%	10%
Noncurrent	90,467	57,382	58%	7%	4%
Total	230,320	194,476	18%	17%	14%

Combined movements affected by increase of AC Energy's development loans to international investment and receivable from sale of GNPk, consolidation of AC Health's Qualimed accounts and Philwater's receivable from sale of investment in preferred shares of MWC (see Note 3); partially offset by ALI's lower revenues and sale of receivables. These accounts are at 17% and 14% of the total assets as of September 30, 2021 and December 31, 2020, respectively.

Inventories – 5% increase from ₱160,872 million to ₱169,642 million

Increase attributable to ALI's higher real estate inventories and IMI's higher inventories coming from domestic and foreign operations. This account is at 12% and 11% of the total assets as of September 30, 2021 and December 31, 2020, respectively

Other current assets – 13% increase from ₱74,315 million to ₱83,713 million

Increase coming from ALI's higher existing project advances and prepayments. This account is at 6% and 5% of the total assets as of September 30, 2021 and December 31, 2020, respectively.

Assets under PFRS 5 – 94% decrease from ₱196,137 million to ₱12,042 million

Decrease due to deconsolidation of MWC and partial sale of GNPk (see Notes 3 and 20). This account is at less than 1% and 14% of the total assets as of September 30, 2021 and December 31, 2020, respectively.

Investments in associates and joint ventures – 12% increase from ₱255,008 million to ₱285,180 million

Increase due to retained investments in MWCI (see Notes 3 and 20); equity earnings partly offset by dividends of Globe and BPI; AC Energy's and ALI's additional investments to and higher equity earnings from their investees. This account is at 21% and 18% of the total assets as of September 30, 2021 and December 31, 2020, respectively.

Intangible assets – 11% increase from ₱19,625 million to ₱21,750 million

Increase due to consolidation of AC Health's Qualimed. This account is at below 2% of the total assets as of September 30, 2021 and December 31, 2020.

Other noncurrent assets – 9% increase from ₱58,852 million to ₱64,408 million

Increase pertains to AC Energy's additional investments in financial assets at amortized cost; partly offset by AYC's maturity of placements under restricted cash and ALI's reclassification to current accounts. The account also includes the Group's pension asset amounting to ₱83 million and ₱22 million in September 30, 2021 and December 31, 2020, respectively.¹ This account is at 5% and 4% of the total assets as of September 30, 2021 and December 31, 2020, respectively.

Short-term debt – 61% increase from ₱32,440 million to ₱52,225 million

Increase due to borrowings of ALI, AC Energy and AC for payment of long-term debt and operational expansion; partially offset by IMI's, AC Industrial's and AC Infra's loan settlement. This account is at 6% and 4% of the total liabilities as of September 30, 2021 and December 31, 2020, respectively.

Income tax payable – 49% decrease from ₱1,907 million to ₱972 million

Decrease attributable to ALI coming from lower tax rate due to CREATE law and utilization of creditable withholding tax and AC Energy's payment of tax due. This account is at below 1% of the total liabilities as of September 30, 2021 and December 31, 2020.

Long-term debt:

(in Millions)	September 2021	December 2020	% Inc (Dec)	% of Total Liabilities	
				September 2021	December 2020
Current	43,763	36,514	20%	5%	4%
Noncurrent	413,003	372,800	11%	51%	43%
Total	456,766	409,314	12%	56%	47%

Combined movements due to increase from AYCFL's additional loan drawdowns and FFL bond issuance partly use to settle maturing loans and old bonds; AC Energy's FFL bond issuance and AC Health's Qualimed accounts; partly offset by ALI's loan settlement. This account is at 56% and 47% of the total liabilities as of September 30, 2021 and December 31, 2020, respectively.

Lease liabilities:

(in Millions)	September 2021	December 2020	% Inc (Dec)	% of Total Liabilities	
				September 2021	December 2020
Current	1,701	1,445	18%	0%	0%
Noncurrent	24,157	22,672	7%	3%	3%
Total	25,858	24,117	7%	3%	3%

Increase coming from AC Energy group and AC Health's Qualimed accounts. This account is at 3% of the total liabilities as of September 30, 2021 and December 31, 2020.

Liabilities under PFRS 5 – 100% decrease from ₱124,291 million to nil

Decrease due to deconsolidation of MWC and GNPK (see Notes 3 and 20). This account is at nil and 14% of the total liabilities as of September 30, 2021 and December 31, 2020, respectively.

Share-based payments – 50% decrease from ₱103 million to ₱51 million

Decrease coming from issuance on the exercise of stock ownership plans of AC. This account is below 1% of the total equity as of September 30, 2021 and December 31, 2020.

Fair value reserve of financial assets at FVOCI – 49x decrease from ₱41 million to negative (-) ₱1,967 million

Decrease due to BPI's and AC Energy's lower marked to market valuation of its financial assets at FVOCI. This account is at below 1% of the total equity as of September 30, 2021 and December 31, 2020.

Cumulative translation adjustments (CTA) – 190% increase from negative (-) ₱1,636 million to positive (+) ₱1,479 million

Increase due to forex translation (movement in forex for PhP vs. USD) of the Ayala Group's business units with dollar functional currencies. Forex of PhP vs USD amounted to ₱51.00 in September 2021 vs. ₱48.023 in December 2020. This account is at below 1% of the total equity as of September 30, 2021 and December 31, 2020.

Equity reserve – 4% increase from ₱30,741 million to ₱32,111 million

Increase coming from AC Energy's change in ownership interest in ACEN as results of SRO, FOO, issuance of shares to Arran/ GIC (see Note 3). This is partly offset by AC's purchase of ALI shares from stock market. This account is at 6% of the total equity as of September 30, 2021 and December 31, 2020.

Retained Earnings – 7% increase from ₱238,073 million to ₱254,928 million

Increase due to overall growth in net income of the group. This account is at 46% and 44% of the total equity as of September 30, 2021 and December 31, 2020, respectively.

Treasury stock – 87% increase from ₱6,605 million to ₱12,383 million

Increase due to AC parent's buy-back of common shares (see Note 21). This account is 2% and 1% of the total equity as of September 30, 2021 and December 31, 2020, respectively.

Reserves under PFRS 5 – 100% increase from negative (-)₱800 million to nil

Increase due to deconsolidation of MWC and GNPk (see Notes 3 and 20). This account is at below 1% of the total equity as of September 30, 2021 and December 31, 2020.

Non-controlling interest – 3% decrease from ₱203,242 million to ₱196,604 million

Decrease coming from deconsolidation of MWC and AC's purchase of ALI shares from stock market; partly offset by the increase coming from ACEN's SRO, issuance of shares to Arran and FOO and transfer of international business units (see Note 3). This account is at 36% and 37% of the total equity as of September 30, 2021 and December 31, 2020, respectively.

Income Statement items

For the Years Ended September 30, 2021 and 2020

Sale of goods and rendering services – 20% increase from ₱133,147 million to ₱160,141 million

Increase due to ALI's higher bookings from residential business, incremental projects completion and construction service; IMI's better operation across all sites and ACI's higher vehicle sales as community quarantine ease-up; and higher revenues due to consolidation of AC Energy's Islasol & Sacasol and AC Health's Qualimed. As a percentage to total revenue, this account is at 88% and 87% in September 30, 2021 and 2020, respectively.

GNPK revenues from electricity sales of ₱4,354.5 million, other income of ₱15.3 million and administrative expenses of ₱2,849.1 million for the period ended September 30, 2021 were recognized in the unaudited interim condensed consolidated income statement (see Note 20).

Share in net profits of associates and joint ventures (AJVs) – 20% increase from ₱14,195 million to ₱17,007 million

Increase due to AC Energy's higher equity in net earnings resulting from GNPd's liquidating damages; Globe' higher revenues from home prepaid wifi and lower income tax as impact of the CREATE law (see Note 3); and better performance from ALI's AJVs. Also, includes share in net earnings of MWC from June to September 2021. As a percentage to total revenue, this account is at 9% in September 30, 2021 and 2020.

Interest income:

(in Millions)	September 2021	September 2020	% Inc (Dec)
Interest income from real estate	5,352	6,361	-16%
Interest income from non-real estate	3,452	2,235	54%
Total	8,804	8,596	2%

Combined movements of interest income from real estate and others resulted to slight increase of 2% only.

Cost of sales and services – 25% increase from ₱98,704 million to ₱123,770 million

Increase in account is aligned with higher sale of good and rendering of services. As a percentage to total costs and expenses, this account is at 86% and 82% in September 30, 2021 and 2020, respectively.

General and administrative expenses – 6% decrease from ₱21,669 million to ₱20,309 million

Decrease due to lower expenses from restricted operations and cost savings measures across BUs; IMI's reversal of provisions for inventories and equipment; plus impact of last year's impairment provisions in BHL, AC Industrials; partly offset by increase in AC Energy due to higher taxes this year. As a percentage to total costs and expenses, this account is at 14% and 18% in September 30, 2021 and 2020, respectively.

Other income – 79% increase from ₱4,275 million to ₱7,654 million

Increase coming from AC Energy's gain on disposal of partial interest in GNPK as well as remeasurement gain on the fair value adjustment of its remaining interest (see Note 20); AC's step-up gain on the acquisition of Qualimed; partly offset by the impact of last year's higher other income of AC Energy arising from liquidated damages on delayed completion of GNPK plant and marked to market gains on financial assets at FVTPL.

Provision for income tax (current and deferred) – 14% decrease from ₱4,095 million to ₱3,536 million

Decrease mainly due to impact of CREATE law (see Note 3).

Operations of the segment under PFRS 5 – 166% decrease from net income of ₱1,920 million to net loss of ₱1,263 million

Includes the net income after tax of MWC less consolidation adjustments. Decrease mainly due to lower billed volume and remeasurement loss. In addition to the remeasurement loss taken up in years 2019 and 2020, an amount of ₱3.1 billion (₱717 million of which is attributable to the owners of the Parent Company) was recognized for the period ending June 3, 2021, which formed part of the GAE of operations of the segment under PFRS 5 (Note 25).

Income attributable to owners of the parent – 70% increase from ₱11,368 million to ₱19,359 million

Increase coming from better results of most of the investees plus the AC Energy's gain on disposal and remeasurement gain in GNPK as mentioned above. As a percentage to total net income, this account is at 81% and 66% in September 30, 2021 and 2020, respectively.

Income attributable to non-controlling interests – 22% decrease from ₱5,901 million to ₱4,622 million

Decrease coming from share in the remeasurement loss in MWC partly offset by share in net income results of non-wholly owned subsidiaries. As a percentage to total net income, this account is at 19% and 34% in September 30, 2021 and 2020, respectively.

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

A significant majority of the Group's revenues are derived from its real estate and financial services businesses. Traditionally, these industries have been subject to cyclical risks relating to the broader economic environment. As a result, the Group is subject to cyclical risks and its financial condition may be materially and adversely impacted as a result of any economic slowdown or stagnation in growth in the Philippines.

Furthermore, the receivables and inventories of Ayala Land, Ayala's largest subsidiary, have historically exhibited cyclical trends based on the timing and progress of its projects and their respective stages of development. Historically, such cyclical trends have in turn resulted in similar cyclical trends in the cash flows of Ayala. There is no assurance that Ayala Land's receivables and inventories will not continue to fluctuate in the future, which may adversely impact Ayala's financial condition.

The Investment and Finance Committees review the performance of each business unit at least twice a year: a general review, which covers Ayala's portfolio of businesses; and a specific business unit review. In the latter, the business unit's performance is measured against several metrics including the current budget, the latest medium-term plan and often, against competitors. The objective of these reviews is to refine capital allocation depending on performance, and if needed, suggest changes to the business plans or strategies.

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 25 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, 2020 or in the SEC 17A / SEC 17Q and SEC 17-C reports for 2020.

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

- a. On March 9, 2021, the Parent Company's BOD, at its regular meeting, approved the following:
 1. Revision of the Insider Trading Policy to update and strengthen it further by including provisions, among others: (i) embodying the short-swing profit rule subject to certain exceptions; (ii) clarifying the trades of the directors', officers' and employees' immediate family members who are living with them in the same household are also required to be reported to the Office of the Compliance Officer within the required periods; (iii) requiring all directors, Officers and employees to report suspected or possible violations of the policy; (iv) imposing more stringent requirements on the Officers of the Corporation who wish to trade the Corporation's securities; and (v) requiring the Chief Compliance Officer to submit additional reports and certifications to the Board and to the Corporate Governance and Nomination Committee, as may be applicable.
 2. Revision of the relevant provision of the Corporate Governance Manual dealing with the rotation of the external auditor or its handling partner to ensure compliance with the applicable regulations, as may be amended from time to time.
- b. On April 23, 2021, at the annual meeting of the Parent Company's stockholders, the following are approved:
 1. Minutes of previous meeting
Resolution No. S-01-2021: "RESOLVED, to approve the minutes of the annual stockholders' meeting held on April 24, 2020."
 2. Annual report for calendar year (CY) 2020 including the consolidated Audited Financial Statements for the CY December 31, 2020
Resolution No. S-02-2021: "RESOLVED, to note the Corporation's Annual Report, which consists of the Chairman's Message, the 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, 2020, as audited by the Corporation's external auditor, SyCip Gorres Velayo & Co."
 3. Ratification of the acts and resolutions of the Board of Directors and Management during the preceding year
Resolution No. S-03-2021: "RESOLVED, to ratify each and every act and resolution, from 24 April 2020 to 23 April 2021 (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."
 4. Election of directors
Resolution No. S-04-2021: "RESOLVED, to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:

Jaime Augusto Zobel de Ayala
Fernando Zobel de Ayala
Cezar P. Consing
Delfin L. Lazaro
Rizalina G. Mantaring (Independent Director)
Keiichi Matsunaga
Antonio Jose U. Periquet (Independent Director)"

5. Election of SyCip Gorres Velayo & Co. as the external auditor of our Company for the year 2021 and fixing of its remuneration

Resolution No. S-05-21: "RESOLVED, as endorsed by the Board of Directors, to approve the election of SyCip Gorres Velayo & Co. as the external auditor of the Corporation for the year 2021 for an audit fee of Php6,361,600.00, inclusive of value-added tax."

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

1. Election of Chairpersons and Members of the Board Committees:

Executive Committee

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

Audit Committee

Rizalina G. Mantaring	(independent director)	Chairman
Antonio Jose U. Periquet	(independent director)	Member
Keiichi Matsunaga		Member

Risk Management and Related Party Transactions Committee

Antonio Jose U. Periquet	(independent director)	Chairman
Rizalina G. Mantaring	(independent director)	Member
Cezar P. Consing		Member

Corporate Governance and Nomination Committee

Antonio Jose U. Periquet	(independent director)	Chairman
Rizalina G. Mantaring	(independent director)	Member
Keiichi Matsunaga		Member

Personnel and Compensation Committee

Rizalina G. Mantaring	(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
Cezar P. Consing		Member

Committee of Inspectors of Proxies and Ballots

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

2. Constitution of the Sustainability Committee and election of its Chairman and members, namely:

Cezar P. Consing	Chairman
Rizalina G. Mantaring	(independent director) Member
Keiichi Matsunaga	Member

3. Election of Mr. Antonio Jose U. Periquet as lead independent director;

4. Election of Jaime Augusto Zobel de Ayala as Chairman of the Board; and

5. Election of officers¹:

Fernando Zobel de Ayala	- Vice Chairman, President and Chief Executive Officer (CEO)
Jose Rene Gregory D. Almendras	- Senior Managing Director
Bernard Vincent O. Dy	- Senior Managing Director

¹ Excluding seconded officers

Alberto M. de Larrazabal	- Senior Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head
Jose Teodoro K. Limcaoco	- Senior Managing Director
Arthur R. Tan	- Senior Managing Director
Alfredo I. Ayala	- Managing Director
Paolo Maximo F. Borromeo	- Managing Director and Corporate Strategy and Development Group Head
John Eric T. Francia	- Managing Director
Solomon M. Hermosura	- Managing Director, Chief Legal Officer, Corporate Secretary, Compliance Officer, Data Protection Officer & Corporate Governance Group Head
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
Rosario Carmela G. Austria ²	- Assistant Corporate Secretary

Our Board has implemented the CEO and CFO succession plans following our disclosures on December 16 and 17, 2020. Likewise, Mr. Cezar P. Consing ceased to be a Senior Managing Director effective April 22, 2021 following the end of his tenure as President of the Bank of the Philippine Islands.

6. The declaration of the second quarter cash dividends on the Parent Company's outstanding Preferred "B" Series 2 Shares (APB2R) amounting to $\frac{1}{4}$ of 4.8214% per annum, or ₱6.02675 per share, based on the issue price of the shares. The record date is May 7, 2021, and payment date is on May 29, 2021.
7. The 2021 stock option program pursuant to our Employee Stock Ownership Plan (the "Plan"). The program authorizes the grant to 32 executives, in accordance with the terms of the Plan, stock options covering up to a total of 600,275 common shares at a subscription price of ₱749.47 per share, which is the rounded off volume-weighted average prices of our common shares at the Philippine Stock Exchange over the last 5-day trading days from April 16, 2021 to April 22, 2021.

The following are the Management Committees:

1. Ayala Group of Companies Management Committee

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

2. Ayala Corporation Management Committee

² Ms. Austria was elected to replace Ms. Joanne M. Lim and Mr. Dodgie D. Lagazo whose terms as Assistant Corporate Secretaries expired today.

Fernando Zobel de Ayala
Paolo Maximo F. Borromeo
Solomon M. Hermosura
Alberto M. de Larrazabal
John Philip S. Orbeta

- c. On May 28, 2021, the Parent Company's Integrated Annual Corporate Governance Report for the year 2020 was submitted in compliance with the SEC Memorandum Circular No. 15, Series of 2017 and PSE Memorandum Circular No. 2017-0079.
- d. On July 15, 2021, the Parent Company's BOD, at its regular meeting, ratified and approved the Charter of the Sustainability Committee.
- e. On August 25, 2021, the Parent Company announced the reassignment of its Chief Human Resource Officer (CHRO), Mr. John Philip S. Orbeta, to AC Energy Corporation, where he will serve as Chief Administrative Officer and CHRO effective October 1, 2021. While Mr. Orbeta will cease to be the CHRO of the Parent Company as of said date, he will remain as one of its managing directors.

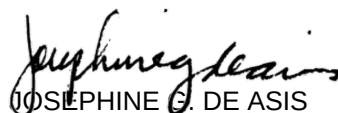
The Parent Company shall make the appropriate disclosure upon appointment of new CHRO.

SIGNATURE

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 C. DE ASIS

Authorized Signatory

Comptroller

Ayala Corporation

Date: November 12, 2021