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AYALA CORPORATION AND SUBSIDIARIES

(Company's Full Name)

32F TO 35F, TOWER ONE AND EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVENUE, MAKATI CITY

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

Contact Person	Company Telephone Number
Josephine G. De Asis	**908-3000**

Fiscal Year (Month / Day)	Form Type	Annual Meeting (Month / Day)
12 / 31	17-Q	

Secondary License Type, if Applicable:

Dept. Requiring this Doc.	Amended Articles Number/Section
CFD	

Total No. Of Stockholders	Total Amount of Borrowings – Domestic	Total Amount of Borrowings – Foreign
6547	P 40 B. bonds	

To be accomplished by SEC Personnel concerned

File Number

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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)

908-3000

(Telephone Number)

March 31, 2018

(Quarter Ending)
(Month & Day)

SEC Form 17- Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION (SEC)

SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2018**

2. SEC Identification No.: **34218**

3. BIR Tax Identification No. **000-153-610-000**

4. Exact name of the registrant as specified in its charter: **AYALA CORPORATION**

5. Province, country or other jurisdiction of incorporation or organization: **Makati City, Philippines**

6. Industry Classification Code: _______ (SEC Use Only)

7. Address of principal office: **32F to 35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City** Postal Code: **1226**

8. Registrant's telephone number: **(632) 908-3000 / 908-3357**

9. Former name, former address, former fiscal year: **Not applicable**

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA:

Title of each class	Number of shares issued & outstanding As of March 31, 2018
Preferred A	12,000,000*
Preferred B Series 1	28,000,000**
Preferred B Series 2	30,000,000***
Voting Preferred	200,000,000
Common	621,298,801

** all are in treasury shares*
*** of which 8,000,000 shares are in treasury*
**** of which 3,000,000 shares are in treasury*

Amount of debt outstanding as of March 31, 2018: **₱40 billion in bonds******

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

11. Are any or all of these securities listed in the Philippine Stock Exchange? Yes [**x**] No [ ]

As of March 31, 2018, a total of 616,784,515 common shares, 12,000,000 preferred A ("ACPA") shares, 28,000,000 preferred B series 1 ("ACPB1") shares, and 30,000,000 preferred B series 2 ("ACPB2") shares are listed in the Philippine Stock Exchange ("PSE"). A total of 12,000,000 ACPA shares, 8,000,000 ACPB1 shares, and 3,000,000 ACPB2 shares are held in Treasury by the Company.

12. Check whether the registrant:

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

(b) has been subject to such filing requirements for the past 90 days: Yes [**x**] No [ ]

TABLE OF CONTENTS

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

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

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

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

PART I FINANCIAL INFORMATION

Item 1 Financial Statements

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2018 (With Comparative Audited Figures as at December 31, 2017)
(Amounts in Thousands)

	March 2018 Unaudited	December 2017 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱ 63,887,358**	₱ 64,259,279
Short-term investments (Note 5)	**9,707,559**	5,400,239
Accounts and notes receivable (Note 6)	**127,167,601**	124,109,122
Inventories (Note 7)	**76,438,186**	76,542,538
Other current assets (Note 8)	**49,297,488**	45,324,696
Total Current Assets	**326,498,192**	315,635,874
Noncurrent Assets		
Noncurrent accounts and notes receivable (Note 6)	**46,020,073**	45,774,058
Land and improvements (Note 9)	**94,332,678**	93,869,008
Investments in associates and joint ventures (Note 10)	**208,461,167**	202,649,300
Investment properties (Note 12)	**151,357,301**	137,657,633
Property, plant and equipment (Note 12)	**91,257,051**	85,430,631
Service concession assets (Note 13)	**93,476,213**	91,049,570
Intangible assets (Note 11)	**17,462,377**	16,705,000
Deferred tax assets - net (Note 11)	**14,186,521**	12,720,910
Other noncurrent assets (Note 8)	**24,128,219**	20,053,768
Total Noncurrent Assets	**740,681,600**	705,909,878
Total Assets	**₱ 1,067,179,792**	₱ 1,021,545,752
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Note 16)	**₱ 41,323,586**	₱ 29,904,723
Accounts payable and accrued expenses (Note 14)	**171,269,048**	169,652,527
Income tax payable	**2,819,542**	1,710,260
Other current liabilities (Note 15)	**22,558,450**	25,983,794
Current portion of:		
Long-term debt (Note 16)	**17,908,332**	13,731,967
Service concession obligation	**780,232**	803,898
Total Current Liabilities	**256,659,190**	241,787,169
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**317,719,810**	306,975,262
Service concession obligation - net of current portion	**6,578,619**	7,748,056
Deferred tax liabilities - net	**8,559,677**	8,108,305
Pension liabilities	**2,764,096**	2,600,756
Other noncurrent liabilities (Note 15)	**50,149,664**	43,233,816
Total Noncurrent Liabilities	**385,771,866**	368,666,195
Total Liabilities	**642,431,056**	610,453,364
Equity		
Equity attributable to owners of the parent		
Paid-in capital (Note 17)	**75,001,174**	75,001,174
Share-based payments	**248,212**	248,212
Remeasurement losses on defined benefit plans	**(1,356,328)**	(1,303,288)
Net unrealized loss on available-for-sale financial assets	**295,040**	(1,107,962)
Cumulative translation adjustments	**5,075,657**	2,794,303
Equity reserve	**5,560,067**	11,600,281
Equity conversion option (Note 16)	**1,066,233**	1,113,003
Retained earnings (Note 17)	**176,803,787**	170,302,028
Treasury stock	**(2,300,000)**	(2,300,000)
	260,393,842	256,347,751
Non-controlling interests	**164,354,894**	154,744,637
Total Equity	**424,748,736**	411,092,388
Total Liabilities and Equity	**₱ 1,067,179,792**	₱ 1,021,545,752

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Figures)

		March 2018		March 2017
REVENUE				
Sale of goods	₱	**46,509,248**	₱	37,639,501
Rendering of services		**17,503,974**		16,453,172
Share of profit of associates and joint ventures		**5,046,669**		4,454,818
Interest income from real estate		**992,734**		1,221,909
Dividend income		**238,734**		268,552
		70,291,359		60,037,952
COSTS AND EXPENSES				
Costs of sales		**35,970,188**		30,105,434
Costs of rendering services		**9,023,263**		9,050,961
General and administrative		**6,345,562**		4,972,641
		51,339,013		44,129,036
OTHER INCOME (CHARGES)				
Interest income		**393,776**		422,953
Other income		**4,869,367**		2,765,967
Interest and other financing charges		**(4,337,284)**		(3,567,099)
Other charges		**(3,086,301)**		(1,421,742)
		(2,160,442)		(1,799,921)
INCOME BEFORE INCOME TAX		**16,791,904**		14,108,995
PROVISION FOR INCOME TAX				
Current		**3,917,160**		2,735,650
Deferred		**(15,764)**		(194,330)
		3,901,396		2,541,320
NET INCOME	₱	**12,890,508**	₱	11,567,675
Net Income Attributable to:				
Owners of the parent	₱	**7,657,012**	₱	6,931,265
Non-controlling interests		**5,233,496**		4,636,410
	₱	**12,890,508**	₱	11,567,675
EARNINGS PER SHARE (Note 18)				
Basic	₱	**11.81**	₱	10.65
Diluted	₱	**11.63**	₱	10.50

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

		March 2018		March 2017
NET INCOME	₱	**12,890,508**	₱	11,567,675
OTHER COMPREHENSIVE INCOME				
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences arising from translations of foreign investments		**2,795,517**		698,535
Changes in fair values of available-for-sale financial assets - net		**7,308**		(292,561)
Effect of adoption of revised accounting standard - PFRS 9		**29,501**		-
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gains (losses) on defined benefit plans - net		**(107,721)**		32,495
		2,724,605		438,469
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences arising from translations of foreign investments		**280,735**		24,887
Changes in fair values of available-for-sale financial assets		**(413,432)**		173,330
Effect of adoption of revised accounting standard - PFRS 9		**1,783,121**		-
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gains (losses) on defined benefit plans		**(240)**		57,793
		1,650,184		256,010
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		**4,374,789**		694,479
TOTAL COMPREHENSIVE INCOME	₱	**17,265,297**	₱	12,262,154
Total Comprehensive Income Attributable to:				
Owners of the parent	₱	**11,288,328**		7,416,519
Non-controlling interests		**5,976,969**		4,845,635
	₱	**17,265,297**	₱	12,262,154

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT											
			Other Comprehensive Income									
	Paid-in Capital	Share-based Payments	Remeasurement Gains/(Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
At January 1, 2018, as previously reported	₱ 75,001,174	₱ 248,212	₱ (1,303,288)	₱ (1,107,962)	₱ 2,794,303	₱ 11,600,281	₱ 1,113,003	₱ 170,302,028	₱(2,300,000)	₱ 256,347,751	₱154,744,637	₱ 411,092,388
Effect of adoption of revised accounting standards - PFRS 9 and 15	-	-	-	1,812,622	-	-	-	(1,155,253)	-	657,369	-	657,369
As of January 1, 2018, as restated	75,001,174	248,212	(1,303,288)	704,660	2,794,303	11,600,281	1,113,003	169,146,775	(2,300,000)	257,005,120	154,744,637	411,749,757
Net Income	-	-	-	-	-	-	-	7,657,012	-	7,657,012	5,233,496	12,890,508
Other comprehensive income (loss)	-	-	(52,800)	3,812	2,000,619	-	-	-	-	1,951,631	772,974	2,724,605
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(240)	(413,432)	280,735	-	-	-	-	(132,937)	1,783,121	1,650,184
Total comprehensive income (loss)	-	-	(53,040)	(409,620)	2,281,354	-	-	7,657,012	-	9,475,706	7,789,591	17,265,297
Exercise of exchange option	-	-	-	-	-	300,984	(46,770)	-	-	254,214	75,395	329,609
Cash Dividends	-	-	-	-	-	-	-	-	-	-	(2,908,965)	(2,908,965)
Change in non-controlling interests	-	-	-	-	-	(6,341,198)	-	-	-	(6,341,198)	4,654,236	(1,686,962)
At March 31, 2018 (Unaudited)	**₱ 75,001,174**	**₱ 248,212**	**₱ (1,356,328)**	**₱ 295,040**	**₱ 5,075,657**	**₱ 5,560,067**	**₱ 1,066,233**	**₱ 176,803,787**	**₱(2,300,000)**	**₱ 260,393,842**	**₱164,354,894**	**₱ 424,748,736**

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT											
			Other Comprehensive Income									
	Paid-in Capital	Share-based Payments	Remeasurement Gains/(Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
At January 1, 2017	₱ 74,379,760	₱ 495,759	₱ (1,548,192)	₱ (466,676)	₱ 1,414,550	₱ 12,211,275	₱ 1,113,745	₱ 145,622,311	₱(2,300,000)	₱ 230,922,532	₱140,073,346	₱ 370,995,878
Net Income	-	-	-	-	-	-	-	6,931,265	-	6,931,265	4,636,410	11,567,675
Other comprehensive income (loss)	-	-	18,011	(291,910)	503,144	-	-	-	-	229,245	209,224	438,469
Share in other comprehensive income (loss) of associates and joint ventures	-	-	57,793	173,330	24,887	-	-	-	-	256,010	-	256,010
Total comprehensive income (loss)	-	-	75,804	(118,580)	528,031	-	-	6,931,265	-	7,416,520	4,845,634	12,262,154
Exercise of ESOP/ESOWN	198,921	-	-	-	-	-	-	-	-	198,921	-	198,921
Cost of share-based payments	-	(196,604)	-	-	-	-	-	-	-	(196,604)	-	(196,604)
Cash Dividends	-	-	-	-	-	-	-	-	-	-	(2,541,167)	(2,541,167)
Change in non-controlling interests	-	-	-	-	-	(54,134)	-	-	-	(54,134)	372,987	318,853
At March 31, 2017 (Unaudited)	₱ 74,578,681	₱ 299,155	₱ (1,472,388)	₱ (585,256)	₱ 1,942,581	₱ 12,157,141	₱ 1,113,745	₱ 152,553,576	₱(2,300,000)	₱ 238,287,235	₱142,750,800	₱ 381,038,035

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

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		March 2018 Unaudited		March 2017 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱	**16,791,904**	₱	14,108,994
Adjustments for:				
Interest and other financing charges - net of amount capitalized		**4,337,284**		3,567,099
Depreciation and amortization		**3,062,441**		3,259,216
Cost of share-based payments		**-**		2,317
Provision for impairment/ Losses on investments in bonds and other securities		**17,192**		-
Mark to market gain on financial assets at fair value through profit or loss (FVPL) and derivatives		**(111,251)**		-
Dividend income		**(238,734)**		(32,035)
Other investment income		**(198,701)**		86,574
Gain on sale of:				
Investments		**(13,956)**		(420,441)
Other assets		**(19,383)**		(2,518)
Interest income		**(1,386,509)**		(1,644,861)
Share of profit of associates and joint ventures		**(5,046,669)**		(4,454,818)
Operating income before changes in operating assets and liabilities		**17,193,618**		14,469,527
Decrease (increase) in:				
Accounts and notes receivable - trade		**3,379,937**		(10,756,760)
Inventories		**3,098,595**		19,545,365
Service concession asset		**(4,096,819)**		(1,700,016)
Other current assets		**(3,281,926)**		(5,599,273)
Increase (decrease) in:				
Accounts payable and accrued expenses		**3,576,206**		7,637,762
Net pension liabilities		**122,520**		(201,959)
Other current liabilities		**(3,573,755)**		(4,935,121)
Net cash generated from operations		**16,418,376**		18,459,525
Interest received		**1,368,346**		1,652,771
Interest paid		**(5,005,673)**		(3,474,060)
Income tax paid		**(2,807,878)**		(1,410,812)
Net cash provided by operating activities	₱	**9,973,171**	₱	15,227,424

(Forward)

		March 2018 Unaudited		March 2017 Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Sale/maturities of investments in bonds and other securities	₱	**280,806**	₱	263,366
Sale/redemptions of investments in associates and joint ventures		**-**		922,139
Disposals of:				
Property, plant and equipment		**72,742**		27,354
Investment properties		**41,900**		-
Maturities of (additions to) short-term investments		**(4,307,320)**		(390,495)
Deductions/transfers (additions) to:				
Service concession assets		**(5,346)**		(6,011)
Investments in associates and joint ventures		**(9,643,532)**		(7,299,385)
Property, plant and equipment		**(2,190,523)**		(5,498,208)
Investment properties		**(8,798,115)**		(5,822,561)
Land and improvements		**(463,670)**		(2,838,743)
Accounts and notes receivable - non-trade		**(3,753,896)**		(846,215)
Financial assets at FVPL		**-**		(544,259)
Investment in bonds and other securities		**(141,205)**		(981,644)
Intangible assets		**520,490**		(1,892,047)
Dividends received from associates, joint ventures and investments in equity securities		**4,276,875**		2,998,458
Acquisitions through business combinations - net of cash acquired		**(6,346,692)**		-
Increase in other noncurrent assets		**(4,177,270)**		(1,883,608)
Net cash used in investing activities		**(34,634,756)**		(23,791,859)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short-term and long-term debt		**25,626,225**		21,076,830
Payments of short-term and long-term debt		**(4,652,507)**		(5,101,459)
Dividends paid		**(3,239,937)**		(4,500,519)
Service concession obligation paid		**(221,852)**		(279,317)
Increase in:				
Other noncurrent liabilities		**4,444,383**		958,611
Non-controlling interests in consolidated subsidiaries		**2,333,352**		221,431
Net cash provided by financing activities		**24,289,664**		12,375,577
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(371,921)**		3,811,142
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**64,259,279**		60,223,324
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱	**63,887,358**	₱	64,034,466

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements. Presentation of certain 2017 accounts were changed to better reflect results of operating activities.

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

1. Corporation Information and Basis of Financial Statement Preparation

Ayala Corporation (herein referred to as “the Company”, “the Parent Company” or “Ayala” is incorporated in the Republic of the Philippines on January 23, 1968. On April 15, 2016, during the annual meeting of its stockholders, the stockholders ratified the amendment of the Fourth Article of the Articles of Incorporation to extend the corporate term for 50 years from January 23, 2018. The Company’s registered office address and principal place of business is 32F-35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City. The Company is a publicly listed company which is 47.74% owned by Mermac, Inc., 8.78% owned by Mitsubishi Corporation and the rest by the public.

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

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

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

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

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

On May 9, 2018, the Company’s Audit Committee approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of Ayala Corporation and Subsidiaries.

2. Summary of Significant Accounting Policies

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

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

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

The new revenue standard is applicable to certain revenue transactions of some subsidiaries and associates and joint ventures of the Group. This will supersede all current revenue recognition requirements under PFRSs.

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

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

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

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

As of January 1, 2018, the Group adopted the new standard using the modified retrospective method. The effects of the adoption on the consolidated financial statements as of December 31, 2017 are shown in the succeeding table.

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

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities.
  The adoption of PFRS 9 will change the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

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

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

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

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

		Cumulative restrospective adjustments affecting:				
	Beginning balance, as reported	Investment in Associates & Joint Ventures	Inventories	Other Current Assets	Others	Beginning balance, as restated
Retained Earnings	₱ 170,302					₱ 170,302
Impact of PFRS 15		556	(2,152)	2,454	(163)	695
Impact of PFRS 9		(1,932)			83	(1,850)
	₱ 170,302	**₱ (1,376)**	**₱ (2,152)**	**₱ 2,454**	**₱ (80)**	**₱ 169,147**
Unrealized gain/(loss) on AFS financial assets	₱ (1,108)					₱ (1,108)
Impact of PFRS 9		1,783			30	1,813
	₱ (1,108)	**₱ 1,783**	**₱ -**	**₱ -**	**₱ 30**	**₱ 705**

The impact of these two new standards in the Group's consolidated income for the period ended March 31, 2018 follows (in millions):

Revenues	₱ 257
Share in profits in associates & joint ventures	70
Cost of sales	(203)
Other income	396
Income tax	(129)
Net income	₱ 391

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

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

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

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

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to

retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

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

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

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

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

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

Standards and Interpretations Issued but not yet Effective

The Group will adopt the following new and amended Standards and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2019

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

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

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

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

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

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

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

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

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

  The interpretation specifically addresses the following:
  a. Whether an entity considers uncertain tax treatments separately
  b. The assumptions an entity makes about the examination of tax treatments by taxation authorities
  c. How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  d. How an entity considers changes in facts and circumstances

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

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

Standards with Deferred effectivity

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

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

3. Principles of Consolidation

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

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

**Incorporated in Cayman Islands*
***Incorporated in British Virgin Islands*
****Incorporated in Hong Kong*

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

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

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

Parent Company

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

   The Parent Company will retain ACEHI as the holding company for its power generation business units which will primarily consist of AC Renewables Inc. and ACE Thermal Inc.

b) On February 7, 2018, the Company clarified the news article entitled, "Ayala Corp. set to acquire KIA Philippines, but PBA comeback not part of plan, says source" posted in spin.ph on

February 5, 2018. The Company confirmed that the wholly-owned subsidiary, AITHI, through one of its group companies, has received notice from Kia Motors Asia Regional headquarters that it has considered the Ayala group as “the preferred bidder” to start negotiations for the Kia distributorship in the Philippines. However, no definitive terms have been reached and appropriate disclosure of any agreement reached will be made.

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

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

*Metro Pacific Investments Corp, Andrew Tan’s Alliance Globe Group Inc., Ayala Corp., Aboitiz Equity Ventures Inc., Gokongwei-led JG Summit Holdings Inc., Gotianun’s Filinvest Development Corp., and Lucio Tan’s LT Group.

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

ALI Group

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

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

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

b) On January 2, 2018, ALI Group through RWIL signed a share purchase agreement to acquire an additional 17.24% share in MCT from Barry Goh Ming Choon for a total cost of RM202.5m, subject to completion of certain conditions, which were eventually complied with on January 5, 2018. This brought ALI’s shareholding in MCT to 50.19% from 32.95%.

This transaction obliged RWIL to conduct a mandatory take-over offer (MO) from the period January 26 to February 19, 2018, in accordance with the laws of Malaysia. Acceptances for 295,277,782 shares were received from the MO, equivalent to 22.12% of the total outstanding shares of MCT.

This eventually increased ALI’s ownership stake in MCT from 50.19% to 72.31% as of February 19, 2018. This increase in ownership will strengthen ALI’s commitment to enhance MCT’s operations and expand its business further. This will also provide ALI with a greater opportunity to take advantage of the growth potential and long-term prospects of the real estate sector in Malaysia and will affirm ALI’s role as a key player in the ASEAN Property Sector. Disclosures on the acquisition date fair value and carrying value of the assets acquired and liabilities assumed of MCT and any goodwill or gain from bargain purchase are not yet available as of the report date.

c) On January 26, 2018, ALI purchased additional 202,774,547 common shares of POPI from Genez Investments Corporation for ₱497.7 million which raised ALI's effective ownership interest from 63% to 67% of the total POPI's outstanding capital stock.

d) On February 20, 2018, the BOD of ALI approved the following:

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

e) On February 20, 2018, the PCC approved the setting up of a joint venture between ALI and Royal Asia Land, Inc. to acquire, own, and develop a 936-hectare commercial and residential project in Silang and Carmona, Cavite. Both firms will own 50% equity in the joint venture vehicle while Royal Asia Land will receive a consultation fee of 2% of the joint venture firm's gross revenue for its participation in the planning and development of the property. ALI, meanwhile, will develop and market the project and receive a management fee of 12% and sales and marketing fee of 5% of the gross revenue. The PCC has deemed that the transaction does not result in a substantial lessening of competition because it will not have a structural effect on the market.

f) On March 6, 2018, ALI received the approval of the PCC to acquire 290 hectares of land owned by Central Azucarera de Tarlac. The acquisition is not yet final and is subject to closing conditions.

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

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

MWC Group

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

b) On January 26, 2018, MWC and Manila Water Philippine Ventures, Inc (MWPVI) (collectively the "Consortium") received the Notice of Award (the Notice) from the City of Ilagan Water Disctrict (CIWD) for the implementation of the joint venture project for the development, financing, operation and management of a raw water source, provision of bulk water supply with system expansion, and the development of septage managment in the City of Ilagan, Isabela (the "Project").

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

c) On March 1, 2018, the BOD of MWC approved the following:
   i. Allotment of 300.00 million common shares for the purpose of exchanging such shares for assets and/or raising funds to acquire assets needed for the business of MWC; and
   ii. Amendment of MWC's Articles of Incorporation to exclude the 300.00 million common shares from the pre-emptive rights of existing stockholders.

d) On March 1, 2018, the BOD of MWC approved the conversion of MWC's receivables from MWPVI amounting to ₱53.84 million into additional equity in MWPVI.

e) On March 2, 2018, the BOD approved the declaration of cash dividends for the first semester of 2018, amounting to ₱0.4302 and ₱0.04302 per share on the outstanding common shares and participating preferred shares, respectively, payable on March 28, 2018 to stockholders of record as of March 15, 2018.

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

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

   On March 14, 2018, Manila Water (Thailand) Co., Ltd. (MWTC) acquired 311,443,190 ordinary shares in East Water representing 18.72% equity of East Water (see Note 10).

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

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

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

h) On December 6, 2017, MWC received the Notice of Award from Leyte Metropolitan Water District (LMWD) for the implementation of the joint venture project (the "Leyte Project") for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply and sanitation facilities and services of LMWD in the Province of Leyte.

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

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

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

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

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

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

j) The voting rights held by the Group in MWC as of March 31, 2018 and December 31, 2017 is equal to 80.4%.

IMI Group

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

b) On January 30, 2018, IMI obtained the approval of PSE for a stock rights offer of up to 350 million new common shares to eligible shareholders in order to raise up to ₱5.0 billion proceeds. Under the rights offer, each shareholder is entitled to subscribe to one rights share for every 5.3551 existing common shares held as of record date February 14, 2018. The offer price was determined to be at ₱14.28 per rights share which was based on the 30-day volume-weighted average price of IMI common shares listed at PSE as of February 7, 2018 at a discount of 25.3%. The listing of the shares was completed on March 2, 2018. As a result of the transaction, the ownership interest of the Group increased from 50.7% to 52.1%

c) On February 20, 2018, the BOD of IMI approved the following:

   i. Declaration of cash dividend of US$0.00458 or ₱0.235 per share to all outstanding common shares as of record date of March 7, 2018 payable on March 21, 2018.
   ii. Increase of IMI's authorized capital stock from ₱2.45 billion to ₱3.0 billion, and the corresponding amendment of the Seventh Article of the Articles of Incorporation. This will be presented to the stockholders for approval at the annual meeting on April 13, 2018.

d) As of March 31, 2018, the Company and AITHI effectively own 52.1% of IMI. The voting rights held by the Group in IMI as of March 31, 2018 and December 31, 2017 is equal to 52.1% and 50.7%, respectively.

ACEHI Group

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

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

b) Effective January 29, 2018, AMPLC became the legal and registered owner of the limited partnership interest in GMCP.

c) On March 20, 2018, Presage Corporation, a wholly-owned subsidiary of AC Energy and Zabaleta & Co. Inc. entered into a share purchase agreement for the acquisition of 21,484 common shares in Negros Island Biomass Holdings (Isla Bio). This represents 42.97% interest in the company. Isla Bio is the entity that holds interests in the 3 biomass plants in Negros – San Carlos BioPower, South Negros BioPower and North Negros BioPower.

AITHI Group

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

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

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

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

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

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

c) On various dates between January to March 2018, the Company infused additional capital to AITHI which amounted to ₱3.0 billion to fund its various investments.

BHL Group

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

AC Infra Group

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

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

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

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

c) On various dates between January to March 2018, the Company infused additional capital to AC Infra which amounted to ₱60.5 million to fund its various investments.

AEI

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

b) In January 2018, AEI subscribed to and paid the amount of ₱82.4 million to APEC Schools, increasing its ownership interest to 70.64% from 67.14%.

c) On February 8, 2018, AEI and shareholders of National Teachers College (NTC) executed a Share Purchase Agreement for the acquisition of shares in NTC subject to certain closing conditions. Through this transaction, AEI will own approximately 96% of NTC. NTC is located at Nepomuceno Street, Quiapo, Manila and was founded in 1928, as the first school in the country to offer General Education leading to a Bachelor of Science in Education. It has almost 10,000 students from Basic to Higher education which include Bachelor programs in Elementary and Secondary Education, and over 3,500 Education students in both college and graduate programs. NTC has also established growing Colleges of Accountancy & Business, Arts & Science, Hospitality Management and Information Technology, and a School of Advanced Studies (see Note 22).

d) On various dates between January to March 2018, the Company infused additional capital to AEI which amounted to ₱87.1 million to fund its various investments.

AVHC

a) On January 12, 2018, AVHC, through Total Jade Group Ltd., a wholly-owned subsidiary of BHL, invested an additional US$0.77 million to Alibaba's New Strategic Retail Opportunities Fund (see Note 9).

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

AHCHI

a) On various dates between January to March 2018, the Company infused additional capital to AC Infra which amounted to ₱389.8 million to fund its various investments

Material partly-owned subsidiaries

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

		March 2018 (Unaudited)		December 2017 (Audited)	
		(In Millions)			
Ayala Land, Inc. and Subsidiaries					
Current assets	**₱**	**225,073**	₱	218,561	
Non-current assets		**367,423**		355,431	
Current liabilities		**195,129**		184,623	
Non-current liabilities		**203,478**		197,105	
Equity					
Attributable to owners of the parent		**156,551**		166,755	
Attributable to non-controlling interest		**37,338**		25,509	
Revenue		**36,977**		31,642	*
Net income					
Attributable to owners of the parent		**6,517**		5,564	*
Attributable to non-controlling interest		**1,064**		872	*
Other comprehensive income		**15**		26	*
Manila Water Co. Inc. and Subsidiaries					
Current assets	**₱**	**12,200**	₱	12,867	
Non-current assets		**103,090**		89,615	
Current liabilities		**22,643**		10,826	
Non-current liabilities		**43,112**		43,095	
Equity					
Attributable to owners of the parent		**48,490**		47,555	
Attributable to non-controlling interest		**1,045**		1,006	
Revenue		**4,713**		4,356	*
Net income					
Attributable to owners of the parent		**1,690**		1,449	*
Attributable to non-controlling interest		**39**		30	*
Other comprehensive income		**306**		93	*
Integrated Microelectronics, Inc. and Subsidiaries					
Current assets	**US$**	**697**	US$	580	
Non-current assets		**351**		341	
Current liabilities		**476**		452	
Non-current liabilities		**193**		193	
Equity					
Attributable to owners of the parent		**376**		273	
Attributable to non-controlling interest		**3**		3	
Revenue		**326**		236	*
Net income					
Attributable to owners of the parent		**6**		9	*
Attributable to non-controlling interest		**-**		-	*
Other comprehensive income		**5**		3	*

* *Based on unaudited March 31, 2017.*

As of March 31, 2018 (unaudited), the proportion of economic ownership held by material non-controlling interest of ALI, MWC and IMI are 53.0%, 48.4% and 47.9%, respectively.

4. **Cash and Cash Equivalents**

This account consists of the following:

		March 2018 (Unaudited)		December 2017 (Audited)
		(In Thousands)		
Cash on hand and in banks	₱	**22,718,193**	₱	21,448,048
Cash equivalents		**41,169,165**		42,811,231
	₱	**63,887,358**	₱	64,259,279

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

The Group maintains cash and cash equivalents with Bank of the Philippine Islands (BPI), an associate of the Company and related party of the Group, amounting to ₱30.9 billion and ₱31.9 billion, as of March 31, 2018 (unaudited) and December 31, 2017 (audited), respectively (see Note 21).

5. **Short-term Investments**

This account consists of the following:

		March 2018 (Unaudited)		December 2017 (Audited)
		(In Thousands)		
Money market placements	₱	**9,707,559**	₱	5,400,239

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

The Group maintains short-term investments with BPI amounting to ₱2.9 billion and ₱0.6 billion, as of March 31, 2018 (unaudited) and December 31, 2017 (audited), respectively (see Note 21).

6. Accounts and Notes Receivable – net

This account consists of the following:

		March 2018 (Unaudited)		December 2017 (Audited)
		(In Thousands)		
Trade:				
Real estate	₱	**102,815,389**	₱	100,885,847
Electronics manufacturing		**13,788,807**		13,022,906
Automotive		**3,387,076**		5,532,186
Water infrastructure		**2,865,773**		2,234,960
Power generation		**1,324,894**		1,151,909
Information technology and BPO		**335,124**		290,915
International and others		**9,802**		22,518
Advances to contractors and suppliers		**23,861,984**		23,886,667
Advances to other companies		**21,223,579**		19,029,334
Receivable from related parties (Note 21)		**3,705,741**		3,070,255
Receivable from officers and employees (Note 21)		**1,197,318**		1,479,532
Dividend receivable		**331**		1,153,206
Receivable from Bonifacio Water Corporation (BWC)		**501,014**		501,014
Others		**902,943**		300,692
		175,919,775		172,561,941
Less allowance for doubtful accounts		**2,732,101**		2,678,761
		173,187,674		169,883,180
Less noncurrent portion		**46,020,073**		45,774,058
	₱	**127,167,601**	₱	124,109,122

The aging of the above receivables is summarized in the following table:

		Up to 6 months		Over 6 mos. to one year		Over one year		Past due		Total
		(In Millions, Unaudited)								
Trade Receivables	₱	70,359	₱	14,843	₱	30,469	₱	8,856	₱	124,527
Non-Trade Receivables		29,952		12,015		6,567		127		48,661
Total	₱	100,311	₱	26,858	₱	37,036	₱	8,983	₱	173,188

The Group's Advances to other companies account mainly pertain to ALI's advances to third party joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. ALI Group does not intend that these advances will be repaid, but will instead be recorded as part of the project costs upon development or as part of consideration for purchases of land. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur. This account also includes Receivables from MRT Development Corporation (MRTDC) shareholders which pertains to interest-bearing advances to MRTDC equivalent to the Pre-2006 Development Rights Payment (DRP) Payables and the Residual Depot DRP which is due more than one year, in relation to the funding and repayment agreement. Certain advances are interest bearing and subject to terms as agreed between the parties.

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

Others account mainly include accrued interest receivable and other non-trade accounts from non-related entities which are non-interest bearing and are due and demandable.

Provision for Doubtful Accounts amounted to net provision of ₱27.0 million and ₱7.4 million for the periods ended March 31, 2018 and 2017 (both unaudited) which form part of the Group's General and Administrative Expenses, respectively.

7. Inventories

This account consists of the following:

		March 2018 (Unaudited)		December 2017 (Audited)
		(In Thousands)		
Real estate inventories				
At cost	₱	**61,814,474**	₱	61,771,287
At NRV		**9,065**		9,065
Vehicles		**3,905,294**		3,601,894
Finished goods		**502,084**		1,908,737
Work-in-process		**257,420**		1,440,278
Parts and accessories		**507,311**		460,429
Materials, supplies and others		**9,771,681**		7,682,790
		76,767,329		76,874,480
Less: Allowance for inventory obsolescence and decline in value*		**329,143**		331,942
	₱	**76,438,186**	₱	76,542,538

**Excluding allowance for real estate inventories*

The Group's provision for inventory obsolescence amounted to negative ₱15.9 million (net reversal mainly coming from IMI group) and positive ₱7.6 million for the period ended March 31, 2018 and 2017 (both unaudited), respectively. These form part of the consolidated General and Administrative Expenses.

8. Other Current Assets and Other Noncurrent Assets

These accounts consist of the following:

		March 2018 (Unaudited)		December 2017 (Audited)
		(In Thousands)		
Input VAT	₱	**20,345,070**	₱	20,403,191
Prepaid expenses		**11,397,890**		12,480,978
Financial assets at FVPL		**6,779,608**		6,063,585
Creditable withholding tax		**4,128,031**		3,671,713
Deposits in escrow		**286,846**		259,898
Concession financial receivable		**152,586**		197,044
Derivative assets		**27,863**		85,347
Others		**6,179,594**		2,162,940
Other current assets	₱	**49,297,488**	₱	45,324,696

Other noncurrent assets	₱	**19,517,792**	₱	15,489,449
Investments in bonds and other securities		**4,524,286**		4,466,367
Pension asset		**86,141**		97,952
Other noncurrent assets	₱	**24,128,219**	₱	20,053,768

For 2018, Others account of the Other current assets includes impact of PFRS 15 on customer contracts of the IMI group amounting to ₱2.5B. This account also includes the following non-current assets held for sale: the assets of AEI after the Group publicly announced the potential merger of AEI with iPeople, Inc. (see Note 3); and assets which is subject of sale and purchase agreement between IMI's Speedy-Tech Electronics Ltd. Group (Singapre) and Jinnuo Century Trading Limited in connection with the plan to relocate its manufacturing facility in Liantang, Luohu, in line with the urban redevelopment projects of the Shenzhen City government. These transactions are subject to certain conditions.

Other noncurrent assets includes deferred charges (project-related costs already paid but not yet consumed in the actual construction activities which are costs as the related awarded project progresses); noncurrent deposits and advances for projects (which include escrow and security deposits on land leases, electric and water meter deposits, advance rental payments, noncurrent prepaid management fees, commissions and advertising and promotions); deferred Foreign Currency Differential Adjustments (FCDA) which refers to the net unrecovered amounts from (amounts for refund to) customers of MWC Group for realized losses (gains) from payments of foreign loans based on the difference between the drawdown of rebased rate versus the closing rate at payment date; leasehold rights (assigned rights of Solienda, Inc. to the contracts of lease of SanJulio Realty, Inc. with San Carlos Sun Power, Inc., San Carlos Solar Energy, Inc. and San Carlos Biopower Inc.; and others which pertain to prepayment for expenses that is amortized for more than one year and long-term miscellaneous accounts.

9. Land and Improvements

This account consists of properties for future development and improvement eventually for transfer to real estate inventories for sale. This account increased from ₱93,869 million as of December 31, 2017 (audited) to ₱94,333 million as of March 31, 2018 (unaudited) arising from ALI's additions within the year.

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 March 31, 2018 are as follows:

	% of Economic Ownership		Carrying Amounts	
	March 2018 (Unaudited)	December 2017 (Audited)	**March 2018 (Unaudited)**	December 2017 (Audited)
Domestic:			(In Millions)	
Bank of the Philippine Islands (BPI)	**32.5**	32.5	₱ **80,389**	₱ 77,495
Liontide Holdings Inc. (LHI)*	**78.1**	78.1	**43,254**	41,855
Globe Telecom, Inc. (Globe)*	**31.0**	31.0	**20,710**	21,194
GNPower Mariveles Coal Plant Ltd. Co (GMPC)	**20.4**	20.4	**6,429**	8,006
OCLP Holdings, Inc. (OHI)	**21.0**	21.0	**7,793**	7,738
Emerging City Holdings, Inc. (ECHI)*	**50.0**	50.0	**3,973**	3,916
South Luzon Thermal Energy Corp. (SLTEC)*	**35.0**	35.0	**2,785**	2,704
GNPower Dinginin Ltd. Co. (GNP Dinginin)	**50.0**	50.0	**2,413**	2,266
Berkshire Holdings, Inc. (BHI)*	**50.0**	50.0	**1,935**	1,910
Light Rail Manila Holdings, Inc. (LRMHI)	**50.0**	50.0	**1,883**	1,825
Cebu District Property Enterprise, Inc. (CDPEI)*	**42.0**	42.0	**1,473**	1,476
Bonifacio Land Corporation (BLC)	**10.0**	10.0	**1,417**	1,395
Asiacom Philippines, Inc. (Asiacom)*	**60.0**	60.0	**1,301**	1,302
Philippine Wind Holdings Corporation (PWHC)*	**42.9**	42.9	**1,021**	1,006
BF Jade E-Services Philippines, Inc. (BF Jade/Zalora)	**44.2**	44.2	**949**	1,051
Rize-Ayalaland (Kingsway) GP Inc. (Rize-Ayalaland)	**49.0**	49.0	**818**	674
Alveo-Federal Land Communities, Inc.*	**50.0**	50.0	**692**	661
ALI-ETON Property Development Corporation*	**50.0**	50.0	**592**	604
Generika Group *	**50.0**	50.0	**500**	500
Globe Fintech Innovations, Inc. (GFI/Mynt)	**10.0**	10.0	**410**	461
Foreign:				
Star Energy Salak-Darajat B.V. (Salak-Darajat) (incorporated in Indonesia)	**19.8**	19.8	**9,674**	9,045
Eastern Water Resources Development and Management Public Company Limited (East Water) (incorporated in Thailand)	**18.7**	-	**8,864**	-
Modular Construction Technology Bhd. (MCT) (incorporated in Malaysia)	**-**	33.0	**-**	7,471
Thu Duc Water B.O.O. Corporation (TDW) (incorporated in Vietnam)	**49.0**	49.0	**2,991**	2,725
Kenh Dong Water Supply Joint Stock Company (KDW) (incorporated in Vietnam)	**47.4**	47.4	**2,652**	2,574
UPC Renewables Asia III Ltd. (incorporated in Indonesia	**51.0**	51.0	**1,254**	1,180
Saigon Water Infrastructure Joint Stock Company (Saigon Water) (incorporated in Vietnam)	**38.0**	38.0	**1,194**	1,151
Others	**Various**	Various	**1,095**	464
			₱ **208,461**	₱ 202,649

** Joint ventures*

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

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

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

BPI's Consolidated Statements of Condition

		March 2018 (Unaudited)		December 2017 (Audited)
		(In Millions)		
Total Resources	₱	**1,914,411**	₱	1,903,905
Total Liabilities	₱	**1,721,999**	₱	1,720,354
Capital Funds Attributable to the Equity Holders of BPI		**189,544**		180,689
Capital Funds Attributable to the Noncontrolling Interest		**2,868**		2,862
Total Liabilities and Capital Funds	₱	**1,914,411**	₱	1,903,905

BPI's Consolidated Statements of Income

		March 2018 (Unaudited)		March 2017 (Unaudited)
		(In Millions, except earnings per share)		
Interest Income	₱	**17,953**	₱	15,788
Other Income		**5,938**		6,464
Total Revenues		**23,891**		22,252
Operating Expenses		**9,747**		8,726
Interest Expense		**5,441**		4,295
Impairment Losses		**785**		1,209
Provision for Income Tax		**1,618**		1,694
Total Expenses		**17,591**		15,924
Net Income for the Period	₱	**6,300**	₱	6,328
Attributable to:				
Equity Holders of BPI	₱	**6,247**	₱	6,253
Noncontrolling Interest		**53**		75
	₱	**6,300**	₱	6,328
EPS	₱	**1.58**	₱	1.59

BPI Group

a) On January 17, 2018, the BOD of BPI approved the offering for subscription of up to 567.0 million shares of BPI by way of a stock rights offering of up to ₱50.0 billion.

b) On January 19, 2018, total cash dividends paid to common stockholders of record as of December 28, 2017 amounted to ₱3.5 billion.

c) The effective voting rights held by the Group in BPI as of March 31, 2018 and December 31, 2017 is equal to 49.4%.

d) The Company's share in the net identifiable assets of BPI as of March 31, 2018 (unaudited) amounted to ₱62.5 billion. No dividends received from BPI for the period ended March 31, 2018 (unaudited). The fair market value of the Company's investment in BPI as of March 31, 2018 (unaudited) amounted to ₱149.9 billion.

LHI

a) As of March 31, 2018, the Company's direct ownership in LHI is equal to 78.1%, while LHI's direct ownership in BPI is equal to 20.1%. The fair value of BPI shares held by LHI amounted to ₱92.7 billion as of March 31, 2018 (unaudited). The Company and GIC Special Investments Pte. Ltd., the entity controlling Arran Investment Pte. Ltd., as joint venture partners, agreed to vote its BPI shares based on the common position reached jointly by them as shareholders.

Globe's Consolidated Statements of Financial Position

		March 2018 (Unaudited)		December 2017 (Audited)
		(In Millions)		
Current Assets	₱	**52,894**	₱	57,515
Noncurrent Assets		**221,066**		220,251
Total Assets	₱	**273,960**	₱	277,766
Current Liabilities	₱	**84,117**	₱	79,457
Noncurrent Liabilities		**124,732**		131,751
Equity Attributable to Equity Holders of the Parent		**65,076**		66,515
Equity Attributable to Noncontrolling Interest		**35**		43
Total Liabilities and Equity	₱	**273,960**	₱	277,766

Globe's Consolidated Statements of Income

		March 2018 (Unaudited)		March 2017 (Unaudited)
		(In Millions, except earnings per share)		
Revenues	₱	**36,675**	₱	32,926
Other Income (Losses)		**750**		(19)
Total Revenues		**37,425**		32,907
Costs and Expenses		**30,382**		27,348
Provision for Income Tax		**2,362**		1,798
Total Expenses		**32,744**		29,146
Net Income	₱	**4,681**	₱	3,761
Total Net Income Attributable to:				
Equity Holders of the Parent	₱	**4,685**	₱	3,771
Noncontrolling Interest		**(4)**		(10)
Net Income	₱	**4,681**	₱	3,761
EPS:				
Basic	₱	**34.15**	₱	27.33
Diluted	₱	**34.09**	₱	27.32

Globe Group

a) The effective voting rights held by the Group in Globe as of March 31, 2018 and December 31, 2017 is equal to 46.8%.

b) The Company's share in the net identifiable assets of Globe as of March 31, 2018 (unaudited) amounted to ₱20.2 billion. Dividends received from Globe for the period ended March 31, 2018 (unaudited) amounted to ₱0.9 billion. The fair value of the Company's investment in Globe as of March 31, 2018 (unaudited) amounted to ₱66.8 billion.

Investment in Eastern Water Resources Development and Management Public Company Limited (East Water)

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

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

On March 14, 2018, Manila Water (Thailand) Co., Ltd. (MWTC) acquired 311,443,190 ordinary shares in East Water representing 18.72% equity of East Water (see Note 3).

11. Intangible Assets and Deferred Tax Assets

	March 2018 (Unaudited)	December 2017 (Audited)
	(In Thousands)	
Intangible assets	₱ **17,462,377**	₱ 16,705,000
Deferred tax assets - net	₱ **14,186,521**	₱ 12,720,910

Increase in Intangible assets was attributable to AITHI's investment acquisitions in Merlin Solar and capitalization of project development costs. Increase in deferred tax assets is related to additional deferred tax assets of ALI's leasing group

12. Investment Properties and Property, Plant and Equipment

	March 2018 (Unaudited)	December 2017 (Audited)
	(In Thousands)	
Investment Properties	₱ **151,357,301**	₱ 137,657,633
Property, plant and equipment - net	₱ **91,257,051**	₱ 85,430,631

Investment Properties account comprises completed and under construction properties or re-development that are held to earn rentals, and are not occupied by the companies in the Group. These properties include parcels of land, buildings and other real estate properties. The account includes Investment in Land, ₱21,195 million and ₱20,580 million as of March 31, 2018 (unaudited) and December 31, 2017 (audited), respectively; Investment in Building, ₱80,501 million and ₱67,417 million as of March 31, 2018 (unaudited) and December 31, 2017 (audited), respectively; and Construction-in-Progress, ₱49,661 million as of March 31, 2018 (unaudited) and December 31, 2017 (audited), net of accumulated depreciation and amortization and impairment loss. Increase in investment properties was attributable to ALI Group's expansion projects mainly on malls, office properties and certain land development.

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

13. Service Concession Assets

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

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

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

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

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

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

Arbitration under the United Nations Commission on International Trade Law (UNCITRAL) Rules (1976)
On April 23, 2015, MWC served to the Republic of the Philippines (the "Republic"), through the Department of Finance, its Notice of Claim demanding that the Republic indemnify MWC in accordance with the indemnity clauses in the Republic's Letter Undertaking dated July 31, 1997 and Letter Undertaking dated October 19, 2009.

At present, the arbitration case remains pending.

14. Accounts Payable and Accrued Expenses

This account consists of the following:

		March 2018 (Unaudited)		December 2017 (Audited)
		(In Thousands)		
Accounts payable	₱	**90,950,013**	₱	90,750,983
Accrued expenses				
Project costs		**18,120,000**		15,946,912
Personnel costs		**8,694,374**		8,368,005
Professional and management fees		**4,694,970**		5,820,306
Rental and utilities		**4,800,993**		3,799,693
Repairs and maintenance		**2,446,969**		2,074,653
Advertising and promotions		**1,208,189**		1,120,738
Various operating expenses		**2,552,033**		3,024,200
Taxes payable		**19,443,139**		20,706,997
Retentions payable		**5,091,552**		4,924,173
Liability for purchased land		**5,884,000**		3,710,462
Interest payable		**2,779,102**		3,682,835
Dividends payable		**3,287,634**		3,618,606
Related parties (Note 21)		**1,086,080**		1,873,861
DRP Obligation		**230,000**		230,103
	₱	**171,269,048**	₱	169,652,527

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

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

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

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

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

Increase in total Accounts payable and accrued expenses was due to higher accrued expenses for project cost and liability for purchased land of ALI.

15. Other Current and Noncurrent Liabilities

		March 2018 (Unaudited)		December 2017 (Audited)
		(In Thousands)		
Other current liabilities	₱	**22,558,450**	₱	25,983,794
Other noncurrent liabilities	₱	**50,149,664**	₱	43,233,816

Other current liabilities include the following:

a. Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion. These also include security deposits equivalent to one (1) to three (3) months' rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts.
b. Financial liabilities on put option relate to the acquisition of VIA and STI and pertain to the right of the non-controlling shareholders of VIA and STI to sell their shares in the acquiree to IMI Group.
c. Nontrade payables pertain mainly to non-interest bearing real estate-related payables to contractors and various non-trade suppliers which are due within one year.

Other noncurrent liabilities include the following:

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

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

16. Short-term and Long-term Debt

These accounts consist of the following:

		March 2018 (Unaudited)		December 2017 (Audited)
		(In Thousands)		
Short-term debt - Subsidiaries:				
Philippine peso with various interest rates	₱	**24,240,709**	₱	22,925,600
Foreign currency with various interest rates		**17,082,877**		6,979,123
	₱	**41,323,586**	₱	29,904,723
Long-term debt:				
The Parent Company:				
Bank loans with various interest rates	₱	**13,559,883**	₱	9,198,822
Bonds		**39,730,246**		39,719,659
		53,290,129		48,918,481
Subsidiaries:				
Loans from banks & other institutions:				
Foreign currency with various interest rates		**66,809,935**		58,680,019
Philippine Peso with various interest rates		**70,822,862**		66,976,029
Bonds		**84,772,920**		87,494,123
Exchangeable bonds		**14,932,310**		14,551,428
Fixed for life bonds		**20,730,676**		19,843,316
Fixed Rate Corporate Notes (FXCNs)		**17,205,943**		17,180,466
Short-dated notes		**7,063,367**		7,063,367
		282,338,013		271,788,748
		335,628,142		320,707,229
Less current portion		**17,908,332**		13,731,967
Non-current portion	₱	**317,719,810**	₱	306,975,262

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

As of March 31, 2018 (unaudited), total proceeds from availment of short-term and long-term debt amounted to ₱25.6 billion which consists mainly of proceeds from bonds and loans of ALI (₱8.4 billion), MWC (₱9.0 billion), Ayala (₱4.4 billion), ACEHI (₱2.9 billion), and IMI (₱0.9 billion), while payments of short-term and long-term debt amounted to ₱4.7 billion which pertains to loan payment of ALI (₱2.2 billion), MWC (₱1.8 billion), AITHI (₱0.5 billion), and IMI (₱0.1 billion).

The Group has short-term and long-term debt payable to BPI amounting to ₱32.9 billion and ₱29.6 billion as of March 31, 2018 (unaudited) and December 31, 2017 (audited), respectively (see Note 21). Interest expense incurred from these debts for the period ending March 31, 2018 and 2016 (both unaudited) amounted to ₱97.4 million and ₱75.5 million, respectively (see Note 21).

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

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

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

Year Issued	Term	Interest Rate	Principal Amount (In Thousands)	Carrying Value (In Thousands) March 2018 (Unaudited)	December 2017 (Audited)	Features
2011	10 years	6.800%	10,000,000	₱ **9,962,091**	₱ 9,959,350	20% balance puttable on the 5th anniversary of the issue date; balance puttable on the 8th anniversary issue date
2012	15 years	6.875%	10,000,000	**9,941,377**	9,939,791	Callable from the 10th anniversary issue until every year thereafter until the 14th anniversary issue date
2016	7 years	3.920%	10,000,000	**9,917,225**	9,913,730	Callable from the 5.5th anniversary issue until every year thereafter until the 7th anniversary issue date
2017	8 years	4.820%	10,000,000	**9,909,553**	9,906,788	Callable from the 6.5th anniversary issue until every year thereafter
			₱ 40,000,000	₱ **39,730,246**	₱ 39,719,659	

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

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

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

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

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

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

IMI Group
As of March 31, 2018 and December 31, 2017, IMI Parent has unsecured short-term loans aggregating to US$104.0 million (₱5,424.6 million) and US$93.0 million (₱4,850.9 million), respectively, with maturities ranging from 30 to 90 days, and fixed annual interest rates ranging from 1.91% to 2.50% in 2018 and 1.82% to 2.34% in 2017.

The short-term loans of VIA consists of factoring loan from China-based banks denominated in USD and RMB aggregating $18.60 million as of March 31, 2018 and $10.07 million as of December 31, 2017 with terms ranging from 70 to 150 days and annual interest rate from 3.16% to 3.77% and loan from a German-based bank amounting to €2.0 million ($2.48 million) in 2018 and €2.0 million ($2.39 million) in 2017 with term of 90 and bears interest rate of 1.95% per annum.

VIA has a long-term debt from Germany-based bank amounting to €0.14 million ($0.17 million) as of March 3, 2018 and €0.16 million ($0.20 million) as of December 31, 2017. The loan is unsecured and bears annual interest of 5.35% and matures on June 30, 2019.

STI has unsecured short-term loans from a local bank amounting to $1.90 million as of March 31, 2018 and $3.20 million as of December 31, 2017, and UK-based bank of £0.40 million ($0.54 million) as of December 31, 2017, with maturities ranging from 90 to 240 days and annual interest rates ranging from 3.9% to 4.7%.

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

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

AYCFL
US$400.0 Million Senior Unsecured and Guaranteed Fixed For Life Perpetual Notes ("Notes")
On September 7, 2017, the Company announced that it had successfully set the terms of a US dollar-denominated fixed-for-life (non-deferrable) senior perpetual issuance at an aggregate principal amount of US$400 million with an annual coupon of 5.125% for life with no step-up. The issuance is the first corporate fixed-for-life with no coupon step-up in Southeast Asia and the first fixed-for-life with no step-up (and reset) deal in the Philippines. The issuer, AYCFL, may redeem the Notes in whole but not in part on September 13, 2022 (first redemption date) or any interest payment date falling after the first redemption date at 100% of the principal amount of the Notes plus any accrued but unpaid interest. The proceeds of the issuance will be used to refinance the issuer's US Dollar maturing obligations and to fund investments of the Guarantor (the Company) or its offshore subsidiaries.

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

The Group will account for this as liability, and, thus shown forming part of long-term debt as of March 31, 2018.

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

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

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

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

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

For the period March 31, 2018, an equivalent amount of USD6.8 million principal was exchanged and converted into a total of 8,589,167 shares resulting in gain of ₱301.0 million which was booked under Equity Reserve.

As of March 31, 2018 (unaudited) and December 31, 2017 (audited), the unamortized discount of the Bonds amounted to ₱350.6 million and ₱417.6 million, respectively. Interest expense recognized in the statement of income amounted to ₱93.4 million and ₱93.3 million for the period ended March 31, 2018 and 2017, respectively (both unaudited).

17. Equity

Details of the Company's paid-up capital:

	Preferred Stock - A	Preferred Stock - B	Preferred Stock - Voting	Common Stock	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital
				(In Thousands)				
At January 1, 2018 (Audited)	**₱1,200,000**	**₱5,800,000**	**₱200,000**	**₱30,899,877**	**₱ 164,725**	**₱37,929,927**	**₱ (1,193,355)**	**₱75,001,174**
Exercise/Cancellation/Subscription of ESOP/ESOWN	**-**	**-**	**-**	**-**	**-**	**20,160**	**(20,160)**	**-**
At March 31, 2018 (Unaudited)	**₱1,200,000**	**₱5,800,000**	**₱200,000**	**₱30,899,877**	**₱ 164,725**	**₱37,950,087**	**₱ (1,213,515)**	**₱75,001,174**
At January 1, 2017 (Audited)	₱1,200,000	₱5,800,000	₱200,000	₱30,839,021	₱ 172,209	₱36,928,326	₱ (759,796)	₱74,379,760
Exercise/Cancellation/Subscription of ESOP/ESOWN	-	-	-	5,479	47,893	1,001,601	(808,044)	246,929
Collection of subscription receivables	-	-	-	55,377	(55,377)	-	374,485	374,485
At December 31, 2017 (Audited)	₱1,200,000	₱5,800,000	₱200,000	₱30,899,877	₱ 164,725	₱37,929,927	₱ (1,193,355)	₱75,001,174

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Consolidated retained earnings	**₱ 176,803,787**	₱ 170,302,028
Accumulated equity in net earnings of subsidiaries, associates and joint ventures	**(139,077,710)**	(134,822,808)
Deferred tax asset - net	**(19,484)**	-
Treasury shares	**(2,300,000)**	(2,300,000)
Retained Earnings available for dividends	**₱ 35,406,593**	₱ 33,179,220

There was no dividends declared by the Company for the period ended March 31, 2018, while the table below shows the details on the dividends declared for the year ended December 31, 2017:

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

18. Earnings Per Share

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

		March 2018 (Unaudited)		March 2017 (Unaudited)
	(In Thousands, except EPS figures)			
Net income attributable to the owners of the Parent Company	₱	**7,657,012**	₱	6,931,265
Less dividends on preferred stock		**(319,406)**		(319,406)
		7,337,606		6,611,859
Less profit impact of assumed conversions of potential ordinary shares of investees		**(83,007)**		(69,447)
	₱	**7,254,599**	₱	6,542,412
Weighted average number of common shares		**621,297**		620,601
Dilutive shares arising from stock options		**2,417**		2,406
Adjusted weighted average number of common shares for diluted EPS		**623,714**		**623,007**
Basic EPS	₱	**11.81**	₱	**10.65**
Diluted EPS	₱	**11.63**	₱	**10.50**

19. Segment Information

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

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

- Parent Company - represents operations of the Parent Company including its financing entities such as ACIFL, AYCFL, PFIL and MHI.
- Real estate and hotels - planning and development of large-scale fully integrated mixed-used communities that become thriving economic centers in their respective regions. This include development and sale of residential, leisure and commercial lots and the development and leasing of retail and office space and land in these communities; construction and sale of residential condominiums and office buildings; development of industrial and business parks; development and sale of high-end, upper middle-income and affordable and economic housing; strategic land bank management; hotel, cinema and theater operations; and construction and property management.
- Financial services and insurance - commercial banking operations with expanded banking license. These include diverse services such as deposit taking and cash management (savings

and time deposits in local and foreign currencies, payment services, card products, fund transfers, international trade settlement and remittances from overseas workers); lending (corporate, consumer, mortgage, leasing and agri-business loans); asset management (portfolo management, unit funds, trust administration and estate planning); securities brokerage (on-line stock trading); foreign exchange and capital markets investments (securities dealing); corporate services (corporate finance, consulting services); investment banking (trust and investment services); a fully integrated bancassurance operations (life, non-life, pre-need and reinsurance services); and other services (internet banking, foreign exchange and safety deposit facilities).

- Telecommunications (Telecoms) - provider of digital wireless communications services using a fully digital network; domestic and international long distance communication services or carrier services; broadband internet and wireline voice and data communication services; also licensed to establish, install, operate and maintain a nationwide local exchange carrier (LEC) service, particularly integrated local telephone service with public payphone facilities and public calling stations, and to render and provide international and domestic carrier and leased line services. In recent years, operations include developing, designing, administering, managing and operating software applications and systems, including systems designed for the operations of bill payment and money remittance, payment facilities through various telecommunications systems operated by telecommunications carriers in the Philippines and throughout the world and to supply software and hardware facilities for such purposes.

- Water infrastructure - contractor to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery, sewerage and sanitation, distribution services, pipeworks, used water management and management services. In 2016, a new business initiative was undertaken where the group will exclusively provide water and used water services and facilities to all property development projects of major real estate companies.

- Electronics manufacturing - global provider of electronics manufacturing services (EMS) and power semiconductor assembly and test services with manufacturing facilities in Asia, Europe, and North America. It serves diversified markets that include those in the automotive, industrial, medical, telecommunications infrastructure, storage device, and consumer electronics industries. Committed to cost-effective and innovative customized solutions (from design and product development to manufacturing and order fulfillment), the company's comprehensive capabilities and global manufacturing presence allow it to take on specific outsourcing needs.

- Power generation - unit that will build a portfolio of power generation assets using renewable and conventional technologies which in turn will operate business of generating, transmission of electricity, distribution of electricity and supply of electricity, including the provision of related services.

- Automotive, IT/BPO and Others - includes operations of Automotive unit’s business on manufacturing, distribution and sale and providing repairs and services for passenger cars and commercial vehicles. In 2016, this unit launched initiatives to include industrial manufacturing activity for long-term synergy and integration with automotive business. This segment also includes the Information Technology and BPO services unit (venture capital for technology businesses and emerging markets; onshore and offshore outsourcing services in the research, analytics, legal, electronic discovery, document management, finance and accounting, full-service creative and marketing, human capital management solutions, and full-service accounting); International unit (investments in overseas property companies and projects); Aviation (air-chartered services); consultancy, agri-business and other operating companies. This business segment group also includes the companies like Infrastructure (development arm for its transport infrastructure investments); education, human capital resource management and health services.

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

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

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

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

March 2018 (Unaudited)
(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Infrastructure	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Revenue										
Sales to external customers	₱ 64	₱ 35,295	₱ -	₱ -	₱ 4,277	₱ 16,640	₱ 900	₱ 6,837	₱ -	₱ 64,013
Intersegment	43	(25)	-	-	117	-	155	83	(373)	-
Share of profit of associates and joint ventures	103	161	2,985	1,450	109	-	356	(118)	-	5,046
Interest income from real estate	-	993	-	-	-	-	-	-	-	993
Dividend income	58	-	-	-	-	-	181	-	-	239
	268	36,424	2,985	1,450	4,503	16,640	1,592	6,802	(373)	70,291
Costs and expenses										
Costs of sales and services	-	22,079	-	-	1,727	14,842	736	5,828	(219)	44,993
General and administrative	739	1,972	-	-	828	1,336	252	1,364	(145)	6,346
	739	24,051	-	-	2,555	16,178	988	7,192	(364)	51,339
Other income (charges)										
Interest income	81	180	-	-	106	3	12	12	-	394
Other income	(7)	367	-	-	3,447	113	546	430	(27)	4,869
Interest and other financing charges	(1,067)	(2,594)	-	-	(389)	(169)	(53)	(65)	-	(4,337)
Other charges	-	-	-	-	(3,086)	-	-	-	-	(3,086)
	(993)	(2,047)	-	-	78	(53)	505	377	(27)	(2,160)
Net income (loss) before income tax	(1,464)	10,326	2,985	1,450	2,026	409	1,109	(13)	(36)	16,792
Provision for (benefit from) income tax	3	2,751	-	-	420	113	565	58	(9)	3,901
Net income (loss)	₱ (1,467)	₱ 7,575	₱ 2,985	₱ 1,450	₱ 1,606	₱ 296	₱ 544	₱ (71)	₱ (27)	₱ 12,891
Other information										
Segment assets	₱ 45,762	₱ 560,758	₱ -	₱ -	₱ 113,690	₱ 54,521	₱ 59,895	₱ 32,730	₱ (22,823)	₱ 844,533
Investments in associates and joint ventures	142,862	19,625	-	-	16,102	-	24,468	5,404	-	208,461
Deferred tax assets	98	12,104	-	-	1,222	128	16	189	430	14,187
Total Assets	₱ 188,722	₱ 592,487	₱ -	₱ -	₱ 131,014	₱ 54,649	₱ 84,379	₱ 38,323	₱ (22,393)	₱ 1,067,181
Segment liabilities	₱ 115,363	₱ 395,049	₱ -	₱ -	₱ 65,438	₱ 34,680	₱ 38,286	₱ 10,249	₱ (25,194)	₱ 633,871
Deferred tax liabilities	79	3,558	-	-	4,015	194	599	115	-	8,560
Total Liabilities	₱ 115,442	₱ 398,607	₱ -	₱ -	₱ 69,453	₱ 34,874	₱ 38,885	₱ 10,364	₱ (25,194)	₱ 642,431
Depreciation & amortization	₱ 79	₱ 1,532	₱ -	₱ -	₱ 788	₱ 454	₱ 73	₱ 137	₱ -	₱ 3,063
Non-cash expenses other than depreciation & amortization	₱ -	₱ 1	₱ -	₱ -	₱ 25	₱ (17)	₱ -	₱ 20	₱ -	₱ 29
Segment additions to property, plant and equipment and investment properties	₱ 93	₱ 14,124	₱ -	₱ -	₱ 365	₱ 765	₱ 892	₱ 214	₱ 1,836	₱ 18,289
Cash flows provided by (used in):										
Operating activities	₱ (1,906)	₱ 12,946	₱ -	₱ -	₱ 392	₱ (636)	₱ (1,870)	₱ (942)	₱ (4,807)	₱ 3,177
Investing activities	₱ (2,238)	₱ (30,605)	₱ -	₱ -	₱ (7,588)	₱ (2,963)	₱ (2,877)	₱ (4,329)	₱ 21,623	₱ (28,977)
Financing activities	₱ 1,371	₱ 19,271	₱ -	₱ -	₱ 5,612	₱ 5,343	₱ 5,934	₱ 4,296	₱ (16,399)	₱ 25,428

March 2017 (Unaudited)
(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Infrastructure	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
INCOME										
Sales to external customers	₱ 62	₱ 29,710	₱ -	₱ -	₱ 3,960	₱ 11,773	₱ 447	₱ 8,141	₱ -	₱ 54,093
Intersegment	61	(28)	-	-	71	-	-	140	(244)	-
Share of profit (loss) of associates						-		-		
and joint ventures	-	138	3,015	1,170	87	-	(8)	52	-	4,454
Interest income	96	1,459	-	-	65	4	10	7	4	1,645
Other income (loss)	(35)	367	-	-	1,750	71	306	568	8	3,035
Total income	184	31,646	3,015	1,170	5,933	11,848	755	8,908	(232)	63,227
Operating Expenses	714	21,037	-	-	2,459	11,177	439	8,483	(180)	44,129
Operating profit (loss)	(530)	10,609	3,015	1,170	3,474	671	316	425	(52)	19,098
Interest expense and other financing charges and Other charges	970	2,093	-	-	1,781	60	44	41	-	4,989
Provision for (benefit from) income tax	10	2,076	-	-	368	103	(71)	57	(2)	2,541
Net income (loss)	₱ (1,510)	₱ 6,440	₱ 3,015	₱ 1,170	₱ 1,325	₱ 508	₱ 343	₱ 327	₱ (50)	₱ 11,568
Segment additions to property, plant and equipment and investment properties	₱ 24	₱ 5,760	₱ -	₱ -	₱ 225	₱ 693	₱ 3,373	₱ 82	₱ 1,164	₱ 11,321
Depreciation & amortization	₱ 83	₱ 1,560	₱ -	₱ -	₱ 967	₱ 478	₱ 63	₱ 106	₱ 2	₱ 3,259
Non-cash expenses other than depreciation & amortization	₱ -	₱ 12	₱ -	₱ -	₱ (5)	₱ 8	₱ -	₱ -	₱ -	₱ 15
Cash flows provided by (used in):										
Operating activities	₱ (2,510)	₱ 14,023	₱ -	₱ -	₱ 2,034	₱ 607	₱ 366	₱ 23	₱ 11,864	₱ 26,407
Investing activities	₱ 2,099	₱ (13,920)	₱ -	₱ -	₱ (423)	₱ (716)	₱ (7,112)	₱ (913)	₱ (13,987)	₱ (34,972)
Financing activities	₱ 7,824	₱ (261)	₱ -	₱ -	₱ (1,733)	₱ 1,297	₱ 2,221	₱ 905	₱ 2,123	₱ 12,376

December 2017 (Audited)
(In Millions)

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

20. Financial Instruments

Fair Value of Financial and Nonfinancial Instruments

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

	March 2018 (Unaudited)		December 2017 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FINANCIAL ASSETS AT FVPL				
Held for trading	**₱6,794,805**	**₱6,794,805**	₱6,063,585	₱6,063,585
Derivative assets				
Embedded	**23,224**	**23,224**	83,785	83,785
Freestanding	**4,639**	**4,639**	1,562	1,562
Total financial assets at FVPL	**6,822,668**	**6,822,668**	6,148,932	6,148,932
LOANS AND RECEIVABLES				
Accounts and notes receivables				
Trade receivables				
Real estate	**102,815,389**	**102,972,478**	100,885,847	101,042,936
Nontrade receivables				
Receivable from officers and employees	**1,199,978**	**1,190,967**	1,479,532	1,470,522
Concession financial receivable	**1,455,741**	**2,175,809**	1,384,552	3,188,264
Total loans and receivables	**105,471,108**	**106,339,254**	103,749,931	105,701,722
AFS FINANCIAL ASSETS				
Quoted equity investments	**2,436,847**	**2,436,847**	2,072,962	2,072,962
Unquoted equity investments	**2,159,341**	**2,159,341**	2,393,405	2,393,405
Total AFS financial assets	**4,596,188**	**4,596,188**	4,466,367	4,466,367
OTHER FINANCIAL ASSETS				
Deposits	**3,038,242**	**3,038,242**	4,499,695	4,499,695
Total Other Financial Assets	**3,038,242**	**3,038,242**	4,499,695	4,499,695
Total financial assets	**₱119,928,206**	**₱120,796,352**	₱118,864,925	₱120,816,716
FINANCIAL LIABILITIES AT FVPL				
Other noncurrent liabilities -				
Contingent consideration	**₱1,302,696**	**₱1,302,696**	₱1,247,052	₱1,247,052
Financial liabilities on put option	**1,184,742**	**1,184,742**	1,094,079	1,094,079
Derivative liabilities				
Freestanding	**–**	**–**	1,505	1,505
Embedded	**2,707**	**2,707**	–	–
	2,490,145	**2,490,145**	2,342,636	2,342,636
OTHER FINANCIAL LIABILITIES				
Short-term debt	**8,964,235**	**8,964,235**	–	–
Long-term debt	**335,586,714**	**335,586,714**	320,707,229	312,309,608
Service concession obligation	**7,495,215**	**9,064,385**	8,551,954	8,627,085
Deposits and other noncurrent liabilities	**52,255,037**	**44,280,681**	62,109,984	58,752,532
Total other financial liabilities	**404,301,201**	**397,896,015**	391,369,167	379,689,225
Total financial liabilities	**₱406,791,346**	**₱400,386,160**	₱369,653,890	₱369,653,948

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

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

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

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

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

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

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

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

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

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

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

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

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

March 31, 2018

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring financial assets measured at fair value				
Financial assets at FVPL	**₱–**	**₱82,978**	**₱6,711,827**	**₱6,794,805**
Derivative assets				
Embedded	**–**	**–**	**23,224**	**23,224**
Freestanding	**–**	**–**	**4,639**	**4,639**
AFS financial assets				
Quoted equity investments	**1,291,340**	**1,145,507**	**–**	**2,436,847**
Unquoted equity investments	**–**	**–**	**2,159,341**	**2,159,341**
	₱1,291,340	**₱1,228,485**	**₱8,899,031**	**₱10,615,299**
Recurring financial assets for which fair values are disclosed:				
Trade and nontrade receivables	**₱–**	**₱–**	**₱104,163,445**	**₱104,163,445**
Concession financial receivable	**–**	**–**	**2,175,809**	**2,175,809**
Deposits	**–**	**–**	**3,038,242**	**3,038,242**
	₱–	**₱–**	**₱109,377,496**	**₱109,377,496**
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	**₱–**	**₱–**	**₱1,184,742**	**₱1,184,742**
Contingent consideration (noncurrent liability)	**–**	**–**	**1,302,696**	**1,302,696**
Derivative liabilities				
Embedded	**–**	**–**	**2,707**	**2,707**
	₱–	**₱–**	**₱2,490,145**	**₱2,490,145**
Recurring financial liabilities for which fair values are disclosed:				
Short-term debt	**₱–**	**₱–**	**₱8,964,235**	**₱8,964,235**
Long-term debt	**–**	**–**	**333,057,675**	**333,057,675**
Service concession obligation	**–**	**–**	**9,064,385**	**9,064,385**
Deposits and other noncurrent liabilities	**–**	**–**	**34,694,619**	**34,694,619**
	₱–	**₱–**	**₱385,780,914**	**₱385,780,914**
Nonfinancial assets for which fair values are disclosed:				
Investment properties	**₱–**	**₱–**	**₱347,538,062**	**₱347,538,062**
Investments in associates and joint ventures*	**216,630,900**	**–**	**–**	**216,630,900**
	₱216,630,900	**₱–**	**₱347,538,062**	**₱564,168,962**

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

December 31, 2017

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring financial assets measured at fair value				
Financial assets at FVPL	₱–	₱82,978	₱5,980,607	₱6,063,585
Derivative assets				
Embedded	–	–	83,785	83,785
Freestanding	–	–	1,562	1,562
AFS financial assets				
Quoted equity investments	1,161,169	911,793	–	2,072,962
Unquoted equity investments	–	–	2,393,405	2,393,405
	10,615,299	10,615,299	10,615,299	₱10,615,299
Recurring financial assets for which fair values are disclosed:				
Trade and nontrade receivables	₱–	₱–	₱102,513,458	₱102,513,458
Concession financial receivable	–	–	3,188,264	3,188,264
Deposits	–	–	4,499,695	4,499,695
	₱–	₱–	₱110,201,417	₱110,201,417
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	₱–	₱–	₱1,094,079	₱1,094,079
Contingent consideration (noncurrent liability)	–	–	1,247,052	1,247,052
Derivative liabilities				
Freestanding	–	1,505	–	1,505
	₱–	₱1,505	₱2,341,131	₱2,342,636
Recurring financial liabilities for which fair values are disclosed:				
Long-term debt	–	–	312,309,608	312,309,608
Service concession obligation	–	–	8,627,085	8,627,085
Deposits and other noncurrent liabilities	–	–	34,694,619	34,694,619
	₱–	₱–	₱355,631,312	₱355,631,312
Nonfinancial assets for which fair values are disclosed:				
Investment properties	₱–	₱–	₱334,437,827	₱334,437,827
Investments in associates and joint ventures*	216,671,968	–	–	216,671,968
	₱216,671,968	₱–	₱334,437,827	₱551,109,795

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

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

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

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

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	0%-2% (1%)	1% increase in growth rate would result in an increase in fair value by $0.82 million. Decrease in growth rate by 1% would result in a fair value decrease of $0.67 million.
		Discount rate	10%-12% (11%)	1% increase in discount rate would result in a decrease in fair value by $0.84 million. Decrease in discount rate by 1% would result in a fair value increase of $0.10 million.
		Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by $2.91 million. Decrease in the probability to 1% would result in a decrease in fair value by $5.77 million.
Other noncurrent liabilities (contingent consideration)	Discounted, probability-weighted payout	Discount rate	7%-9% (8%)	1% increase in discount rate would result in a decrease in fair value by $0.45 million. Decrease in discount rate by 1% would result in a fair value increase of $0.47 million.
		Probability of pay-out	£0 to £23.3 million ($0 to $30.20 million)	GBP0 to GBP23.3 million ($0 to $30.20 million)

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

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

Financial Assets at FVPL	**March 2018**	December 2017
At January 1	**₱5,980,607**	₱4,927,256
Additions	**–**	1,071,109
Disposals/redemptions/return of capital	**(3,162,564)**	(410,580)
Recognized in statement of income	**4,011,776**	276,392
Exchange difference	**(117,992)**	116,430
At December 31	**₱6,947,811**	₱5,980,607

Financial Liabilities at FVPL	**March 2018**	December 2017
At January 1	**₱2,341,131**	₱563,541
Additions	**–**	1,889,943
Recognized in statement of income	**41,905**	(115,859)
Exchange Difference	**104,442**	3,506
At December 31	**₱2,487,478**	₱2,341,131

Derivatives

	March 2018	December 2017
Derivative Assets		
Prepayment option of ACEHI	**₱23,224**	₱83,785
Currency forward of AIVPL	**4,639**	1,562
	₱27,863	₱85,347
Derivative Liabilities		
Currency forwards of AC and IMI	**₱2,707**	₱1,505
	₱2,707	₱1,505

Embedded derivatives

<u>AIVPL Group</u>
Conversion option
On January 9, 2015, AIVPL made shareholder advances to Integreon amounting to US$1.5 million, under the following terms:

a) Final Maturity Date on January 31, 2017.
b) The Borrower is liable for the principal sum of US$1.5 million due to AIVPL plus accrued interest at the rate of nine percent (9%) p.a.
c) The Borrower is liable for 12% penalty on both principal and accrued interest if not paid on maturity.
d) With option to convert both principal and accrued interest during an equity financing transaction to raise capital with the requisite corporate approvals.
e) Closing and completion of the sale and purchase of the conversion shares shall take place in accordance with the terms of any transactional documents entered into in connection with such equity financing transaction.

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

As of March 31, 2018 and December 31, 2017, the value of the derivative asset related to the embedded prepayment option amounted to ₱23.2 million and ₱83.8 million, respectively.

<u>BHL</u>
Convertible bonds
In June 2014, BHL invested VND113 billion (equivalent to USD5.3 million) in CII convertible bonds through its wholly owned subsidiary, VIP. These bonds have a maturity of 5 years, and a coupon rate of 5% p.a.

On June 23, 2016, the third bond conversion exercise, BHL Group converted 69,235 bonds into 6,293,461 shares at a closing price of VND 26,500 per share. Based on the initial bond offering submission made by CII, the conversion ratio would be 90.9:1 (1 convertible bond to 90.9 shares), where the number of converted shares will be rounded down to the next last whole number. This conversion increased the investment in CII shares by VND 166.6 billion (equivalent to US$7.5 million).

BHL Group recognized a total gain of VND 37.9 million (US$1.7 million) on the conversion exercise, out of which VND 28.3 million (US$1.3 million) was the gain on the difference between the CII share price on the date of conversion and the carrying amount of convertible bond, and VND 9.6 million (US$ 0.4 million) was the gain on the realization of the valuation reserve previously recorded on the convertible bonds

In 2017, BHL Group converted 43,755 bonds into 3,977,329 shares at a closing price of VND 37,250 per share. Based on the initial bond offering submission made by CII, the conversion ratio would be 90.9:1 (1 convertible bond to 90.9 shares), where the number of converted shares will be rounded down to the next last whole number. This conversion increased the investment in CII shares by VND 148.2 billion (equivalent to US$6.7 million). BHL Group recognized a total gain of VND91.4 billion (US$4.0 million) on the conversion exercise, out of which VND 35.7 billion (US$1.6 million) was the gain on the difference between the CII share price on the date of conversion and the carrying amount of convertible bond, and VND 55.7 million (US$ 2.4 million) was the gain on the realization of the valuation reserve previously recorded on the convertible bonds.

Fair Value Changes on Derivatives
The net movements in fair values of the Group's derivative instruments as of March 31, 2018 and December 31, 2017 follow (amounts in thousands):

Derivative Assets

	March 2018	December 2017
Balance at beginning of year	**₱85,347**	₱245,887
Fair value of currency forwards	**3,077**	797
Net changes in fair value of derivatives	**(60,561)**	(22,832)
	27,863	223,852
Fair value of settled instruments	**–**	(138,505)
Balance at end of year	**₱27,863**	₱85,347

Derivative Liabilities

	March 2018	December 2017
Balance at beginning of year	**₱1,505**	**₱5,809**
Fair value of currency-linked notes	**2,707**	**1,505**
Net changes in fair value of derivatives	**–**	**14**
	4,212	**7,328**
Fair value of settled instruments	**(1,505)**	**(5,823)**
Balance at end of year	**₱2,707**	**₱1,505**

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

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

Financial Risk Management

General

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

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

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

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

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

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

Financial Risk Management Objectives and Policies

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

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

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

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

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

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

The second and third columns of the table below summarize the Group's exposure to foreign exchange risk as of March 31, 2018. The fourth and fifth columns of the table demonstrates the sensitivity to a reasonably possible change in the peso exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (in thousands, unaudited).

Foreign currency	Net asset (liabilities)		PHP equivalent		Increase (decrease) in Peso per foreign currency	Increase (decrease) in profit before tax
United States Dollar (USD)	USD	1,168	₱	60,934	₱1.00	₱ 1,168
					(1.00)	(1,168)
Japanese Yen (JPY)	JPY	(32,578,003)	₱	(16,148,628)	1.00	(32,578,003)
					(1.00)	32,578,003
Thai Baht (THB)	THB	(5,224,421)	₱	(8,747,771)	1.00	(5,224,421)
					(1.00)	5,224,421
Euro (EUR)	EUR	59,626	₱	3,861,599	1.00	59,626
					(1.00)	(59,626)
Chinese RMB (RMB)	RMB	145,048	₱	1,205,016	1.00	145,048
					(1.00)	(145,048)
Vietnam Dong (VND)	VND	33,414,039	₱	76,406	1.00	33,414,039
					(1.00)	(33,414,039)

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

Equity price risk
AFS financial assets are acquired at certain prices in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, the country's economic performance, political stability, and domestic inflation rates, these prices change, reflecting how market participants

view the developments. The Group's investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each sector and market.

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

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

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

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

21. Related Party Transactions

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

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

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

In 2014, Company adopted a Related Party Transactions (RPT) policy which provides that related party transactions between the Company and related parties shall be subject to review and approval to ensure that they are at "arm's length", the terms are fair, and they will inure to the best interest of the Company and its shareholders.

Highlights of related party transactions follow:

Transactions with BPI
The Group maintains current and savings account, money market placements and other short-term investments with BPI amounting to ₱33,841.3 million and ₱33,506.0 million, as of March 31, 2018 (unaudited) and December 31, 2017 (audited), respectively (see Notes 4 and 5). The Other Current Assets account as of March 31, 2018 (unaudited) and December 31, 2017 (audited) includes ₱1,439.0 million and ₱83.0 million Financial Assets at FVPL of ALI with BPI, respectively (see Note 8). The Group also has short-term and long-term debt payable to BPI amounting to ₱32,929.8 million and ₱29,591.4

million as of March 31, 2018 (unaudited) and December 31, 2017 (audited), respectively. These short-term and long-term debts are interest bearing with varying rates, have various maturities starting 2018 and varying schedules of payments for interest (see Note 16).

Receivables from Related Parties
The Group has ₱3,705.7 million and ₱3,070.3 million receivables from related parties as of March 31, 2018 (unaudited) and December 31, 2017 (audited) respectively. The balances pertain mostly to interest and non-interest bearing advances with various maturities from 30 days to 2 years. Advances include certain residential development projects which become due as soon as the projects are completed. The receivables also include certain trade receivables arising from automotive and other sales. This account also includes other receivables relating to reimbursement of operating expenses like management fees, among others. The trade and other receivables are unsecured, interest free, will be settled in cash and are due and demandable (see Note 6).

Receivables from Officers and Employees
The Group has ₱1,197.3 million and ₱1,479.5 million receivables from officers and employees as of March 31, 2018 (unaudited) and December 31, 2017 (audited), respectively. These pertain to housing, car, salary and other loans granted to the Group's officers and employees, which are collectible through salary deduction, are interest bearing ranging from 6.0% to 10.0% per annum and have various maturity dates ranging from 2018 to 2027 (see Note 6).

Payables to Related Parties
The Group has payables to various related parties amounting to ₱1,086.1 million and ₱1,873.9 million as of March 31, 2018 (unaudited) and December 31, 2017 (audited), respectively. These payables include: a) cost of lots for joint development projects; b) purchased parts and accessories and vehicles; and c) advances and reimbursements for operating costs. These are all interest-free, unsecured, will be settled in cash. Maturities of these payables range from 15 days to one year, with some accounts due and demandable (see Note 14).

Income and Expenses
The Group realized total income of ₱301.7 million and ₱177.3 million from related parties and incurred total expenses of ₱152.6 million and ₱116.1 million for the periods ended March 31, 2018 and 2017, respectively (both unaudited). These 2018 amounts represent 0.4% and 0.3% of the Group's total income and expenses, respectively. These consist of, among others, income from real estate, automotive sales, professional services and interest/financing as well as expenses on interest, water utilities, communications and professional fees (see Note 16).

22. Events after the Reporting Period

ALI Group

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

b) On April 27, 2018, ALI issued and listed on the Philippine Dealing & Exchange Corp. a ₱10,000.0 million bond due in April 2028 with a fixed coupon rate of 5.9203% pa until the interest repricing date, five years after the bond's issue date. The repriced interest rate shall be adjusted to the higher of: a) initial interest rate; or b) interest rate repricing benchmark rate plus 75 bps and shall apply to all interest payments thereafter. The Bond was rated by PRS AAA by Philratings, the highest investment grade indicating minimal credit risk. The issuance is the fifth and final tranche of ALI's ₱ 50,000.0 million fixed-rate Bond Series under its Debt Series Program as approved by the Securities and Exchange Commission (SEC) on March 2016.

MWC Group

a) On April 16, 2018, the stockholders of MWC approved the amendment of the Seventh Article of the Articles of Incorporation to exempt from pre-emptive rights 300.00 million unissued common shares ("carved-out shares") which are reserved or allocated for issuance in one or more transactions or offerings, (i) for properties or assets needed for the business of MWC, or (ii) for cash to acquire properties or assets needed for the business of MWC. The issuance of all or any of the carved-out shares does not require the approval of stockholders.

b) On April 25, 2018, MWC and MWPVI (collectively the "Consortium") received the Notice of Award from Balagtas Water District (BWD) for the implementation of a joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply system and sanitation facilities of the BWD in the Municipality of Balagtas in Bulacan.

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

c) On April 30, 2018, MWC and MWPVI (collectively the "Consortium") received the Notice of Award from Bulacan Water District (BuWD) for the implementation of a joint venture project for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply system and sanitation facilities of the BuWD in the Municipality of Bulacan in Bulacan.

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

IMI Group

a) On April 13, 2018, the stockholders, in IMI's annual stockholders' meeting, approved the increase in the authorized capital stock of the corporation from ₱2.45 billion to ₱3.0 billion and the corresponding amendment of the Seventh Article of the Articles of Incorporation.

a) On April 9, 2018, VIA optronics GmbH ("VIA") and Toppan Printing Co., Ltd. ("Toppan") have agreed to form a new joint venture company to serve the market for copper-based metal mesh touch sensors by transferring 65% of the shares of Toppan Touch Panel Products Co., Ltd., a newly formed spin-off from Toppan, to VIA. The name of the new joint venture company will be VTS-Touchsensor Co., Ltd. ("VTS"). VTS will develop and manufacture the metal mesh touch sensors in Japan on the existing premises of Toppan. VIA will leverage its years of knowledge and experience of market requirements, system-level design, and production in the automotive, consumer and industrial markets to support further development of the core sensor technology.

BPI Group

a) On April 25, 2018, BPI completed its ₱50 billion stock rights offering, issuing 558,659,210 new common shares (ratio of 1:7.0594 common shares as of record date April 6, 2018) at ₱89.50 per share. The issuance received strong support from domestic and foreign shareholders such that a total of 683,258,317 shares were subscribed, representing an oversubscription of 22.3%.

Ayala subscribed to its proportionate and unsubscribed rights share, slightly raising its effective ownership in BPI to 48.6%.

ACEHI Group

a) On April 30, 2018, AC Energy International Pte. Ltd., a wholly owned subsidiary of AC Energy, and Jetfly Asia Pte. Ltd. executed a Share Sale Purchase Agreement for the acquisition of 25% interest in The Blue Circle Pte. Ltd. (TBC). TBC has a platform of wind projects in the Southeast.

AITHI Group

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

As previously disclosed to the PSE, the Company's wholly owned subsidiary, AITHI through one of its group companies, has received notice from Kia Motors Asia Regional headquarters that it has considered the Ayala group as "the preferred bidder" to start negotiations for the Kia distributorship in the Philippines. The Company will make the appropriate disclosure of any definite agreement reached.

AEI Group

a) On April 30, 2018, AC Education, Inc. (AEI") assumed ownership of approximately 96% of the outstanding voting shares and 88% of the total outstanding shares of National Teachers College for a total consideration of PhP1.16 billion. NTC, which was founded in 1928 as the first school in the country to offer General Education leading to a Bachelor of Science in Education, will be added to AEI's portfolio currently composed of APEC Schools and University of Nueva Caceres. With NTC, AEI's combined student population will be approximately 34,000 students.

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

Ayala Corporation's net income expanded 10 percent year-on-year to ₱7.7 billion in the first quarter of the year, lifted by the robust earnings growth of its real estate and power units.

Consolidated Sales of Goods and Services

Sales of goods and services jumped 18 percent to ₱64 billion, primarily from Ayala Land's higher lot and condominium unit sales. This was further lifted by IMI's sales from its European operations, supported by the contributions of VIA Optronics and STI. Meanwhile, higher revenues from IMI and Manila Water, as well as AC Energy's consolidation of Northwind and its Retail Electricity Supply unit, accounted for the increase in sales of services. This account stands at 91 percent of Ayala's total revenues as of end-March 2018.

Real Estate

Ayala Land sustained its earnings momentum in the first quarter, with net income climbing 17 percent to ₱6.5 billion from a year ago primarily driven by its residential and commercial leasing segments.

Revenues from property development climbed 27 percent to ₱26 billion on the back of new bookings and project completion. Sales reservations expanded 16 percent to ₱31.5 billion, while net bookings grew 20 percent to ₱24.2 billion. Ayala Land launched ₱10.9 billion worth of residential projects during the period.

Meanwhile, revenues from commercial leasing grew 11 percent to ₱8.2 billion, lifted by higher contribution from newly opened malls, offices, and hotels.

Ayala Land's diversification strategy is increasingly gaining traction, with net income mix achieving greater balance. In terms of location, new estates and established estates (Makati, Bonifacio Global City, Nuvali, Alabang, and Cebu) contributed 55 percent and 45 percent of Ayala Land's net income, respectively. In terms of business line, Ayala Land's development income (property sales and construction) accounted for 66 percent, while recurring income (commercial leasing, hotels and resorts, and property management) contributed 34 percent to its net profits in the first quarter.

Ayala Land spent ₱26.7 billion in capital expenditure in the first quarter, comprising 24 percent of its budget for the year. A bulk of the amount was allocated to residential projects.

Water

Manila Water's first-quarter net profits jumped 17 percent to ₱1.7 billion on improved performance of the Manila Concession and domestic business units, combined with lower depreciation expense.

Manila Water's revenues rose eight percent to ₱4.7 billion largely driven by additional billed connections in the Manila Concession and its domestic operating subsidiaries as well as higher supervision fees recognized by Laguna Water.

Depreciation expense dropped 20 percent to ₱601 million owing to accounting adjustments in Manila Water parent company and its subsidiaries Laguna Water, Boracay Water, and Clark Water implemented in May 2017.

Manila Water registered higher billed volume across its operating units, reaching 181.7 million cubic meters, up three percent. The Manila Concession registered a four percent growth in billed volume to 120.3 million cubic meters, with significant improvements also recorded by Laguna Water, Clark Water, Boracay Water, and Estate Water.

Manila Water's foreign investments have started to bear fruit, with their earnings contribution increasing 26 percent to ₱109 million in the first quarter.

As it continued its infrastructure build up, Manila Water deployed ₱3.4 billion in capital expenditures in the first quarter, a 63 percent expansion from a year ago. A bulk of the amount was allocated to the Manila Concession, which spent ₱2.9 billion, while the rest was channeled to the network expansion of domestic subsidiaries.

Manila Water continues to grow its portfolio outside the Manila Concession. Last month, it received Notices of Award from two water districts in the Province of Bulacan. First is from the Balagtas Water District for a 25-year concession which will implement water and used water projects in Balagtas, Bulacan. The project has an estimated capital expenditure of over ₱400 million and is projected to deliver billed volume of 22 million liters per day by year 25. Second is from the Bulacan Water District for a 25-year concession for the provision of water and used water projects in the Municipality of Bulakan. Estimated capital expenditures is also ₱400 million and is targeted to deliver 16 million liters per day by year 25.

Industrial Technologies

Despite strong topline growth of both its electronics manufacturing and vehicle retails segments, a one-off expense and startup costs of new acquisitions weighed down AITHI' net income, declining 36 percent to ₱217 million in the first quarter.

In electronics manufacturing services, Integrated Micro-Electronics posted a revenue growth of 38 percent to US$325.8 million, buoyed by the strong performance of its automotive, industrial, and telecommunications segments combined with contributions from recently acquired entities. This strong revenue growth was tempered by a one-off expense of US$3 million attributed to employee relocation incentive related to the transfer of one of its China operations. The relocation was prompted by a sale transaction, which will result in gains to be realized within the year. This one-off expense resulted in a 36 percent decline in IMI's net income in the first quarter, which stood at US$5.6 million. Excluding this one-off cost, IMI's net income would have remained at par with the previous year.

With the recent completion of its ₱5 billion stock rights offering, IMI is well-positioned to pursue new growth opportunities. AITHI, which previously held 50.6 percent of IMI's outstanding shares, subscribed to its proportionate and unsubscribed rights share, raising its stake in IMI to 52 percent.

In vehicle retail, AC Automotive registered an 11 percent net income growth to ₱129 million in the first quarter on robust unit sales of the Volkswagen and KTM brands.

Power Generation

AC Energy nearly doubled its net profits in the first quarter of the year to ₱593 million, boosted by robust contributions of its Indonesia investment and thermal and renewable platforms.

Equity earnings from AC Energy's investee companies also doubled to ₱822 million led by fresh contribution from Salak and Darajat Geothermal in Indonesia. In addition, higher generating capacity of its thermal unit GN Power Mariveles and solar farm Montesol supported AC Energy's profitability during the period. All these cushioned the impact of development costs incurred from its projects under construction.

As of the first quarter, AC Energy has a total attributable capacity of around 1,600 megawatts from thermal and renewable plants in operations and under construction. It has a target to ramp this up to 2,000 megawatts by 2020, with 1,000 megawatts to come renewable sources. In parallel, it has a goal of achieving a net income of ₱5 billion by 2020.

Share of Profit of Associates and Joint Ventures

Share of profits of associates and joint ventures climbed to ₱5 billion, a 13 percent increase on the back of Globe's higher revenues, the implementation impact of Philippine Financial Reporting Standards 15 (Revenue from Contracts with Customers), and AC Energy's share in net earnings of Salak and Darajat Geothermal and SLTEC. This was partially offset by AC Ventures' share in net losses of Zalora and Mynt.

Banking

Bank of the Philippine Islands recorded a net income of ₱6.2 billion in the first quarter, a flat growth from the previous year, as lower non-interest income offset the improvement in the bank's core banking business.

Total revenues reached ₱18.5 billion, three percent year-on-year. Net interest income rose nine percent to ₱12.5 billion, supported by expansion in average asset base. Total loans climbed 17 percent to ₱1.2 trillion, mainly driven by corporate loans. Interest income from loans grew by 18 percent year-on-year.

Total deposits reached ₱1.6 trillion, up 10 percent, with the current account and savings account ratio at 72 percent and loan-to-deposit ratio at 76 percent.

Non-interest income dropped 8 percent to ₱5.9 billion on lower income from trust and investment management fees, securities trading, and asset sales. Meanwhile, income from credit card business, bank commissions, stockbrokerage fees, and foreign exchange trading increased during the period.

Operating expenses rose 12 percent to ₱9.7 billion on accelerated IT-related spend, operations and marketing, while asset growth was accompanied by an increase in regulatory costs. This resulted in a cost-to-income ratio of 52.8 percent in the first quarter, higher than the 48.6 percent recorded in the previous year.

Total assets and total capital both expanded 10 percent to ₱1.9 trillion and ₱189.5 billion, respectively. Capital adequacy ratio stood 13.55 percent and common equity tier 1 at 12.65 percent.

The bank recently completed its stock rights offering, raising ₱50 billion in additional capital to fund its growth strategy. Ayala subscribed to its proportionate and unsubscribed rights share, slightly raising its effective ownership in the bank to 48.6 percent.

Telecom

With consistent strong demand for data-related services and a larger subscriber base, Globe's service revenues expanded eight percent to ₱33.6 billion, bolstered by its mobile, home broadband, and corporate data segments.

Mobile data revenues grew 26 percent to ₱12.6 billion as subscribers reached 63.3 million, up eight percent from the previous year. Home broadband revenues improved 11 percent to ₱4.3 billion resulting from a 17 percent increase in subscriber base at 1.4 million. Corporate data revenues likewise grew four percent to ₱2.6 billion. Data-related services accounted for 58 percent of Globe's service revenues, with mobile data users making up for 55 percent of mobile subscribers.

The higher revenues and lower operating expenses supported the 18 percent growth in Globe's EBITDA, which reached ₱15.8 billion in the first quarter. EBITDA margin remained healthy at 47 percent. Globe posted net profits of ₱4.7 billion in the first quarter, mainly driven by EBITDA growth which offset depreciation charges and non-operating expenses during the period.

Globe spent around ₱6.6 billion in capital expenditures as of end-March to support the growing subscriber base and demand for data. Of this amount, 64 percent was deployed to data-related services. To date, Globe has a total of 38,963 base stations, with over 25,600 for 4G.

As part of its network expansion and optimization plan, Globe initiated discussions with third-party groups for the establishment of a tower company that will help speed up the build and deployment of cellular towers in the Philippines. Globe is looking to divest all or part of its tower assets to independent tower companies and open these up for lease to new and existing telco players. The Philippines has one of the lowest tower densities in the world, with under 20,000 towers serving a population of 100 million people.

Other Income

Other income rose 76 percent to ₱4.9 billion, as a result of Manila Water's higher rehabilitation works, which has an equivalent increase in Other Charges, and AC Energy's other income, partly offset by a decline from Bestfull Holdings Limited in relation to divestment gains recorded last year.

Costs and Expenses

Consolidated cost of sales for the first quarter of 2018 increased to ₱45 billion, a 15 percent jump due to higher sales largely from Ayala Land and IMI. A slight decrease in the cost of rendering services was attributed to Manila Water, as well as a decline in construction revenues recorded by Ayala Land. These factors outpaced the increase in AC Energy's higher cost of services from its retail electricity supply unit.

Consolidated general and administrative expenses rose 28 percent to ₱6.4 billion, primarily from Ayala Land's consolidation of MCT Bhd, and Manila Water's and AITHI' manpower-related expenses (primarily from MT Technologies). IMI's one-off relocation costs in relation to a property sale in China and the consolidation of VIA Optronics and STI also drove the increase.

Balance Sheet Highlights

In the first quarter of 2018, total debt at the consolidated level stood at ₱377 billion, a 7.5 percent increase from the end-2017 level of ₱350.6 billion. This is attributed to additional borrowings of the parent, as well as the real estate, water, and electronics manufacturing businesses, and includes the impact of revaluation of certain loans.

Investments in properties rose 10 percent to ₱151.3 billion, due to Ayala Land's expansion projects in its malls, office properties, and certain land development initiatives. In addition, investments in property, plant, and equipment recorded a seven percent jump to ₱91.3 billion. This was lifted by AC Energy's construction of GN Power Kauswagan, Ayala Land's consolidation of MCT Bhd, and IMI and Manila Water's expansion projects.

Ayala's balance sheet remains healthy with ample capacity to undertake investments as well as cover its dividend and debt obligations. As of the first quarter of the year, parent level cash stood at ₱16.9 billion, with net debt at ₱72 billion. Ayala's net debt-to-equity ratio stood at 0.65 at the parent level and 0.71 at the consolidated level. The conglomerate's loan-to-value ratio, the ratio of its parent net debt to the total value of its assets, was at 7.5 percent at the end of the first quarter.

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	**March 2018 (Unaudited)**	December 2017 (Audited)
Liquidity Ratio	Cash/ Cash equivalents + Short-term cash investments / Current Liabilities	**0.29**	0.29
Current ratio	Current assets / Current liabilities	**1.27**	1.31
Solvency Ratio	After-Tax Net Profit + (Depreciation + Amortization)+ Provision for Bad Debts / Total Liabilities	**0.02**	0.02 *
Debt-to-Equity Ratio (Total SHE)	Long-term Loans + Short Term Loans / Total Stockholders' Equity	**0.89**	0.85
Assets- to-Equity Ratio	Total Assets / Equity Attributable to Owners of the Parent	**4.10**	3.98
Interest Expense Coverage Ratio	EBITDA / Interest Expense	**5.58**	5.87 *
Return on Equity	Net Income to Owners of the Parent / Equity Attributable to Owners of the Parent (Average)	**3.0%**	3.0% *
Return on Common Equity	Net Income to Owners of the Parent Less Dividends on Preferred Shares / Common Equity Attributable to Owners of the Parent (Average)	**3.1%**	3.1% *
Return on Assets	Net Income / Total Assets	**1.2%**	1.2% *

** Based on Unaudited March 31, 2017.*

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

The Group does not expect any liquidity problems and is not in default of any financial obligations. The Group complied with the existing loan covenants and restrictions as of March 31, 2018.

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

None

2.3 Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:

None

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

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

Ayala
Ayala parent has set aside ₱51.8 billion in capital spending for the year. As of the three-month period, ₱4.5 billion has been spent with the bulk going to industrial technologies. The Company continues to strategically deploy capital across its businesses to explore new avenues of growth.

ALI
For the year 2018, ALI's consolidated budget for project and capital expenditures amount to ₱110.8 billion of which ₱26.7 billion has been disbursed as of March 31, 2018. The 41% was spent on residential projects, 23% for its equity investments such as MCT Bhd and Prime Orion Philippines, Inc., 22% on commercial leasing projects, 9% for land acquisition and 5% for the development of the estates.

MWC
MWC's total capital expenditures in the first quarter of 2018 amounted to ₱2.51 billion, posting a growth of 23% over the same period in 2017.

The Manila Concession spent a total of ₱2.07 billion (inclusive of concession fee payments) for capital expenditures in the first quarter of 2018, 29% more than the ₱1.61 billion spent in the same period the previous year. Meanwhile, total capital expenditures of the domestic subsidiaries grew by 2% to ₱436 million from the ₱429 million spent in the first quarter of 2017. Of the total amount, ₱187 million was used by Laguna Water for its water network expansion, while Tagum Water and Boracay Water disbursed ₱66 million and ₱50 million, respectively. Estate Water spent ₱105 million for its greenfield and brownfield projects, while the balance was spent by Clark Water, Calasiao Water, Cebu Water and MWTS.

IMI
For the year 2018, IMI expects additional $75 million of capital expenditures, a substantial portion of which are related to expansion programs. Capital expenditures are allocated to purchase of new machineries and equipment, construction of new buildings and facilities and other building improvements, maintenance of plants and other facilities and also IT infrastructure. These are intended to expand IMI's capacity and support expected increase in demand as well as recurring maintenance expenses to sustain the IMI's productivity and efficiency. In relation to the recent stock rights offering, approximately 70 percent of the net proceeds is intended to be applied towards financing these capital expenditures.

ACEHI
For the year 2018, ACEHI's budget for capital expenditures amounts to ₱20.1 billion of which ₱1.7 billion has been disbursed as of the three-month period mainly for investments in energy projects.

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

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

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

None

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

None

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

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

In year 2018

1. ALI's increase of ownership share Modular Construction Technology Bhd. (MCT) from 33% in December 2017 to 72.31% in February 2018.
2. The Group's acquisition, through AITHI's and ACIFL, of 78% ownership of Merlin Solar in February 2018.
3. Impact of the adoption of two major accounting standards – PFRS 9 and 15.

In year 2017

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

Balance Sheet Items
As of March 31, 2018 (Unaudited) vs. December 31, 2017 (Audited)

Short-term investments – 80% increase from ₱5,400 million to ₱9,708 million
Increase due to IMI's proceeds from stock rights offering and increase in AC, AYCFL and ALI's investible funds. This account is at less than 1% of the total assets as of March 31, 2018 and December 31, 2017.

Other Current Assets – 9% increase from ₱45,325 million to ₱49,297 million
Increase pertains to: IMI's higher prepayments and input tax plus impact of PFRS 15; ACEHI's and MWC's higher prepayments and input tax; and BHL's additional infusion in certain FVPL investments; partially offset by decline in ALI's project costs. This account is at 5% and 4% of the total assets as of March 31, 2018 and December 31, 2017, respectively.

Investment Properties – 10% increase from ₱137,658 million to ₱151,357 million
Increase related to ALI group's expansion projects mainly on malls, office properties and certain land development. This account is at 14% of the total assets as of March 31, 2018 and December 31, 2017.

Property, plant and equipment – 7% increase from ₱85,431 million to ₱91,257 million
Increase coming from ACEHI's construction of power plants for GNP Kauswagan's coal unit; ALI's consolidation of MCT; IMI's and MWC's expansion projects. This account is at 9% and 8% of the total assets as of March 31, 2018 and December 31, 2017, respectively.

Deferred tax assets-net - 12% increase from ₱12,721 million to ₱14,187 million
Increase related to additional deferred tax assets of ALI's leasing group. This account is at 1% of the total assets as of March 31, 2018 and December 31, 2017.

Other noncurrent assets - 20% increase from ₱20,054 million to ₱24,128 million
Increase due to ALI's advances/deferred project development costs; MWC's net increase due to higher FCDA. The account also includes the Group's pension asset amounting to ₱86 million.[1] This account is at 2% of the total assets as of March 31, 2018 and December 31, 2017.

Short-term debt – 38% increase from ₱29,905 million to ₱41,324 million
Increase in loans due to additional borrowings of ALI, MWC and IMI including impact of revaluation of certain foreign currency-denominated loans. This account is at 6% and 5% of the total liabilities as of March 31, 2018 and December 31, 2017, respectively.

Income tax payable – 65% increase from ₱1,710 million to ₱2,820 million
Increase arising from higher tax payable of ALI and MWC groups. This account is less than 1% of the total liabilities as of March 31, 2018 and December 31, 2017.

Other current liabilities – 14% decrease from ₱25,984 million to ₱22,444 million
Decrease due to ALI's lower customer deposits and AC Ventures' settlement of subscription payable for new investments (Zalora). This account is at 4% of the total liabilities as of March 31, 2018 and December 31, 2017.

Long-term debt (current) – 30% increase from ₱13,732 million to ₱17,908 million
Increase in loans due to additional borrowings of ALI and MWC including impact of revaluation of certain foreign currency denominated loans. This account is at 3% and 2% of the total liabilities as of March 31, 2018 and December 31, 2017, respectively.

Service concession obligation (non-current) – 15% decrease from ₱7,748 million to ₱6,579 million
Decrease was due to periodic payments made by MWC. This account is at 1% of the total liabilities as of March 31, 2018 and December 31, 2017.

Deferred tax liabilities – 6% increase from ₱8,108 million to ₱8,560 million
Increase attributable to ACEHI's group's increase in DTL (deferred tax on translation gains offset by depreciation expense resulting from forex movement). This account is at 1% of the total liabilities as of March 31, 2018 and December 31, 2017.

Pension liabilities[1] – 6% increase from ₱2,601 million to ₱2,764 million
Increase due to net adjustment in deferred tax of AITHI. This account is at less than 1% of the total liabilities as of March 31, 2018 and December 31, 2017.

Other noncurrent liabilities – 16% increase from ₱43,234 million to ₱50,150 million
Increase primarily due to ALI's higher real estate deposits and MWC's provisions for expenses. This account is at 8% and 7% of the total liabilities as of March 31, 2018 and December 31, 2017, respectively.

Net unrealized gains (losses) on available-for-sale financial assets – 127% increase from negative ₱ 1,108 million to positive ₱295 million
Increase in the market value of securities held by BPI group as AFS financial assets including impact of PFRS 9. This account is at less than 1% of the total equity as of March 31, 2018 and December 31, 2017.

Cumulative translation adjustments - 82% increase from ₱2,794 million to ₱5,076 million
Increase due to upward impact of net foreign assets, significantly coming from ACEHI, IMI and BHL. Forex of Ph₱ vs US$ increased causing higher CTA figure *(₱52.16 in March 2018 vs. ₱49.93 in December 2017).* This account is at 1% of the total equity as of March 31, 2018 and December 31, 2017.

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

Equity Reserve - 52% decrease from ₱11,600 million to ₱5,560 million
Decrease related to ALI's equity transactions for investments of ALI (POPI) and consolidation of MCT. This account is at 1% and 3% of the total equity as of March 31, 2018 and December 31, 2017, respectively.

Retained earnings – 4% increase from ₱170,302 million to ₱176,804 million
Increase represents share in Q1 2018 group net income partially offset by the effect of adoption of PFRS 9 and 15 accounting standards. This account is at 42% and 41% of the total equity as of March 31, 2018 and December 31, 2017, respectively.

Non-controlling interests – 6% increase from ₱154,745 million to ₱164,355 million
Higher amount represents share in Q1 2018 group net income and OCI net of dividends declared by subsidiaries to its non-controlling interests. This account is at 39% and 38% of the total equity as of March 31, 2018 and December 31, 2017, respectively.

Income Statement items
For the Period Ended March 31, 2018 (Unaudited) vs. March 31, 2017 (Unaudited)

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

Sale of goods and rendering services – 18% increase from a total of ₱54,093 million to ₱64,013 million
Growth in sale of goods came primarily from higher sales of: ALI group (higher lot & condo unit sales offset slight decline in coremid and mid-income lines); IMI group (mainly from Europe sales supported by sales from newer subsidiaries VIA and STI); partly offset by decline in vehicle sales Honda & Isuzu of AITHI group (partly offset by increase in sales of VW units and for motorcycles). Higher revenues from rendering of services of ACEHI group primarily coming from consolidation of new subsidiary and its RES unit; and higher revenues of IMI and MWCI. As a percentage to total revenue, this account is at 91% and 90% in March 31, 2018 and 2017, respectively.

Sale of profit of associates and joint ventures – 13% increase from ₱4,455 million to ₱5,047 million
Increase coming from Globe's higher revenues plus impact of PFRS 15 and AC Energy's share in net earnings of Salak-Darajat as its geothermal investment and SLTEC; partially offset by decline in AC Ventures' share in net losses of Zalora and Mynt. As a percentage to total revenue, this account is at 7% in March 31, 2018 and 2017.

Interest income from real estate – 19% decrease from ₱1,222 million to ₱993 million
Decrease related to ALI's decrease in interest income from real estate partly due to sale of receivables to local banks. This account is at 1% and 2% of the total income in March 31, 2018 and 2017, respectively.

Cost of sales and rendering services – 15% increase from ₱39,156 million to ₱44,993 million
Increase of cost of sales is related to the increase in sale of goods. However, there's a slight decrease in cost of rendering services primarily related to ALI's decline in construction revenues and MWC's decline outpacing the increase in AC Energy's higher cost of services from RES unit. As a percentage to total costs and expenses, this account is at 88% and 89% in March 31, 2018 and 2017, respectively.

General and administrative expenses – 28% increase from ₱4,973 million to ₱6,346 million
Increase mainly on combined increments in the group's expenses specifically from: ALI (contracted services and trainings), MWCI (manpower-related expenses), AITHI (manpower-related costs and expenses of MT) and IMI (restructuring costs of Shenzen and consolidation of VIA and STI). As a percentage to total costs and expenses, this account is at 12% and 11% in March 31, 2018 and 2017, respectively.

Other income – 76% increase from ₱2,766 million to ₱4,869 million
Increase due to MWC's higher rehabilitation works; AC Energy's other income; partially offset by BHL's decline related to last year's divestment gains. This account is at 1% and 2% of the total income in March 31, 2018 and 2017, respectively.

Interest and other financing charges – 22% increase from ₱3,567 million to ₱4,337 million
Increase due to higher interest expenses of ALI, AYC, IMI partially offset by decrease in AC's interest expense.

Other charges – 117% increase from ₱1,422 million to ₱3,086 million
Increase due to higher rehabilitation works costs of MWC.

Provision for income tax (current and deferred) – 54% increase from ₱2,541 million to ₱3,901 million
Increase primarily due to higher taxable income of several subsidiaries significant portion is attributable to ALI's on account of better sales/revenues and other operating results and ACEHI due to deferred tax on translation gains offset by depreciation expense resulting from forex movement).

Income attributable to Owners of the parent – 11% increase from ₱6,931 million to ₱7,657 million
Increase resulting from better performance of most subsidiaries of the Group.

Income attributable to Non-controlling interests – 13% increase from ₱4,636 million to ₱5,233 million
Increase resulting from better operating results of most of the subsidiaries of the Group.

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

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

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

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

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

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

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

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

3.1 Other material events or transactions during the interim period.

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

PART II – OTHER INFORMATION

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

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

1. On April 20, 2018, at the annual meeting of the Company's stockholders, the following are the major items approved:

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

      Jaime Augusto Zobel de Ayala
      Fernando Zobel de Ayala
      Ramon R. Del Rosario, Jr. (Independent Director)
      Delfin L. Lazaro
      Xavier P. Loinaz (Independent Director)
      Keiichi Matsunaga
      Antonio Jose U. Periquet (Independent Director)

   d. Election of SyCip, Gorres, Velayo & Co. as the external auditors of the Company for the year 2018.

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

   a. Chairpersons and Members of the Board Committees:

Executive Committee	
Jaime Augusto Zobel de Ayala	Chairman
Fernando Zobel de Ayala	Member
Keiichi Matsunaga	Member
Audit Committee	
Xavier P. Loinaz (independent director)	Chairman
Ramon R. del Rosario, Jr. (independent director)	Member
Keiichi Matsunaga	Member
Risk Management and Related Party Transactions Committee	
Antonio Jose U. Periquet (independent director)	Chairman
Ramon R. del Rosario, Jr. (independent director)	Member
Keiichi Matsunaga	Member
Corporate Governance and Nomination Committee	
Ramon R. del Rosario, Jr. (independent director)	Chairman
Xavier P. Loinaz (independent director)	Member
Antonio Jose U. Periquet (independent director)	Member
Personnel and Compensation Committee	
Ramon R. del Rosario, Jr. (independent director)	Chairman
Delfin L. Lazaro	Member
Keiichi Matsunaga	Member
Finance Committee	
Delfin L. Lazaro	Chairman
Antonio Jose U. Periquet (independent director)	Member
Jaime Augusto Zobel de Ayala	Member
Fernando Zobel de Ayala	Member

Committee of Inspectors of Proxies and Ballots

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

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

c. Officers:

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

d. Ayala Group of Companies Management Committee

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

e. Ayala Corporation Management Committee

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

SIGNATURES

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

Registrant **AYALA CORPORATION**

By:

JOSEPHINE G. DE ASIS
Authorized Signatory
Comptroller
Ayala Corporation

Date: May 11, 2018