COVER SHEET

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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)

Josephine G. De Asis	**(632) 7908-3000**
Contact Person	Company Telephone Number

12	31	17-Q		
Month	*Day*		*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, if Applicable

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

Total Amount of Borrowings

6450	**₱39.9 billion bonds**	
Total No. Of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

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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)

(632) 7908-3000

(Telephone Number)

September 30, 2019

(Quarter Ending)
(Month & Day)

SEC Form 17- Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION (SEC)

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2019**

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

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

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

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

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

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

8. Registrant's telephone number: **(632) 7908-3000 / 7908-3357**

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

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

Title of each class	Number of shares issued & outstanding As of September 30, 2019
Preferred A	12,000,000*
Preferred B Series 1	28,000,000**
Preferred B Series 2	30,000,000***
Voting Preferred	200,000,000
Common	631,151,659****

** all are in treasury shares*
*** of which 8,000,000 shares are in treasury*
**** of which 3,000,000 shares are in treasury*
***** of which 3,805,644 shares are in treasury*

Amount of debt outstanding as of September 30, 2019: **₱39,903.4 million in bonds******

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

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

As of September 30, 2019, a total of 627,098,147 common shares, 12,000,000 preferred A ("ACPA") shares, 28,000,000 preferred B series 1 ("ACPB1") shares, and 30,000,000 preferred B series 2 ("ACPB2") shares are listed in the Philippine Stock Exchange ("PSE"). A total of 3,805,644 common shares, 12,000,000 ACPA shares, 8,000,000 ACPB1 shares, and 3,000,000 ACPB2 shares are held in Treasury by the Company.

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes [**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 September 30, 2019 make reference to certain financial information and disclosures in the December 31, 2018 annual audited consolidated financial statements. This SEC17Q report should be read in conjunction with the Group's annual audited consolidated financial statements as of and for the year ended December 31, 2018*.

This SEC17Q report also include financial and operating data with respect to Ayala's material subsidiaries [Ayala Land, Inc. (ALI), Integrated Micro-Electronics, Inc. (IMI), Manila Water Company, Inc. (MWC) and AC Energy, Inc. (AC Energy), associate [Bank of the Philippine Islands (BPI)] and joint venture [Globe Telecom, Inc. (Globe)]. This SEC 17Q should be read in conjunction with the financial information and operating highlights of these subsidiaries, associate and joint venture as contained in their respective December 31, 2018 audited financial statements and SEC17A reports and SEC17Q report as of September 30, 2019.**

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

***The audited consolidated financial reports and SEC 17A reports as of December 31, 2018 as well as SEC 17Q report as of September 30, 2019 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

Section 1 Financial Statements

AYALA CORPORATION AND SUBSIDIARIES

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

	September 2019 Unaudited	December 2018 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱ 69,754,132**	₱ 60,624,263
Short-term investments (Note 5)	**1,889,986**	5,956,489
Accounts and notes receivable (Note 6)	**131,267,127**	105,518,572
Contract assets (Note 9)	**4,639,919**	52,209,458
Inventories (Note 7)	**110,884,596**	120,560,493
Other current assets (Note 8)	**133,633,139**	67,890,147
Total Current Assets	**452,068,899**	412,759,422
Noncurrent Assets		
Noncurrent accounts and notes receivable (Note 6)	**34,976,424**	6,366,250
Noncurrent contract assets (Note 9)	**600,472**	35,929,990
Investments in associates and joint ventures (Note 10)	**256,880,028**	240,140,558
Investment properties (Note 12)	**252,411,341**	227,645,548
Property, plant and equipment (Note 12)	**91,541,070**	104,492,357
Service concession assets (Note 13)	**104,122,943**	98,404,486
Intangible assets (Note 11)	**16,782,759**	16,553,369
Right-of-use assets (Note 2)	**16,869,898**	-
Deferred tax assets - net (Note 11)	**15,289,616**	15,546,040
Other noncurrent assets (Note 8)	**52,994,492**	40,087,599
Total Noncurrent Assets	**842,469,043**	785,166,197
Total Assets	**₱ 1,294,537,942**	₱ 1,197,925,619
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Note 16)	**₱ 34,091,059**	₱ 39,518,245
Accounts payable and accrued expenses (Note 14)	**189,298,686**	204,758,244
Contract liabilities (Note 9)	**2,438**	21,988,850
Lease liabilities (Note 2)	**272,082**	-
Income tax payable	**3,595,529**	3,406,921
Other current liabilities (Note 15)	**57,562,841**	11,129,234
Current portion of:		
Long-term debt (Note 16)	**30,336,085**	48,480,559
Service concession obligation	**728,680**	820,802
Total Current Liabilities	**315,887,400**	330,102,855
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**337,084,479**	324,262,828
Contract liabilities - net of current portion (Note 9)	**36,273**	8,630,235
Service concession obligation - net of current portion	**7,730,428**	7,018,211
Lease liabilities - net of current portion (Note 2)	**20,924,047**	-
Deferred tax liabilities - net	**10,321,093**	10,999,354
Pension liabilities	**2,567,986**	2,589,852
Other noncurrent liabilities (Note 15)	**54,422,305**	45,213,929
Total Noncurrent Liabilities	**433,086,611**	398,714,409
Total Liabilities	**748,974,011**	728,817,264
Equity		
Equity attributable to owners of the parent company		
Paid-in capital (Note 17)	**83,705,009**	83,361,675
Share-based payments	**233,767**	238,871
Remeasurement losses on defined benefit plans	**(1,273,697)**	(1,299,319)
Fair value reserve of financial assets at fair value through other comprehensive income	**(303,906)**	(544,555)
Cumulative translation adjustments	**901,933**	2,276,669
Equity reserve	**25,663,606**	10,872,124
Equity conversion option (Note 16)	**-**	1,087,015
Retained earnings (Note 17)	**240,152,366**	196,914,989
Treasury stock	**(5,492,319)**	(2,300,000)
	343,586,759	290,607,469
Non-controlling interests	**201,977,172**	178,500,886
Total Equity	**545,563,931**	469,108,355
Total Liabilities and Equity	**₱ 1,294,537,942**	₱ 1,197,925,619

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Figures)

	2019		2018	
	July to Sept.	**Jan. to Sept.**	July to Sept.	Jan. to Sept.
REVENUE (Note 19)				
Sale of goods and rendering of services	₱ **69,039,791**	₱ **206,550,737**	₱ 67,153,007	₱ 201,676,600
Share in net profits of associates and joint ventures	**6,212,181**	**17,357,916**	5,502,333	15,551,656
Interest income	**3,675,507**	**8,887,897**	2,265,453	5,821,794
Dividend income	**7,785**	**84,877**	(150,209)	427,070
	78,935,264	**232,881,427**	74,770,584	223,477,120
COSTS AND EXPENSES				
Costs of sales and services	**50,747,480**	**147,010,877**	48,407,830	144,760,647
General and administrative	**8,761,159**	**24,844,075**	6,944,003	20,769,893
	59,508,639	**171,854,952**	55,351,833	165,530,540
OTHER INCOME (CHARGES)				
Other income	**7,720,052**	**38,661,168**	4,099,504	14,973,349
Interest and other financing charges	**(6,614,169)**	**(17,960,775)**	(4,749,600)	(13,767,994)
Other charges	**(3,049,682)**	**(6,703,372)**	(1,975,547)	(6,767,377)
	(1,943,799)	**13,997,021**	(2,625,643)	(5,562,022)
INCOME BEFORE INCOME TAX	**17,482,826**	**75,023,496**	16,793,108	52,384,558
PROVISION FOR INCOME TAX				
Current	**2,890,423**	**11,113,902**	4,233,718	11,924,367
Deferred	**687,995**	**291,897**	(601,862)	(341,928)
	3,578,418	**11,405,799**	3,631,856	11,582,439
NET INCOME	₱ **13,904,408**	₱ **63,617,697**	₱ 13,161,252	₱ 40,802,119
Net Income Attributable to:				
Owners of the parent	₱ **8,324,881**	₱ **46,162,417**	₱ 7,795,811	₱ 23,863,767
Non-controlling interests	**5,579,527**	**17,455,280**	5,365,441	16,938,352
	₱ **13,904,408**	₱ **63,617,697**	₱ 13,161,252	₱ 40,802,119
EARNINGS PER SHARE (Note 18)				
Basic	₱ **12.80**	₱ **71.86**	₱ 11.87	₱ 36.69
Diluted	₱ **12.74**	₱ **71.63**	₱ 11.69	₱ 36.13

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	2019		2018	
	July to Sept.	**Jan. to Sept.**	July to Sept.	Jan. to Sept.
NET INCOME	**₱ 13,904,408**	**₱ 63,617,697**	₱ 13,161,252	₱ 40,802,119
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising from translations of foreign investments	**452,898**	**(1,870,436)**	1,522,046	4,268,551
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gains (losses) on defined benefit plans	**5,250**	**22,485**	(8,575)	(111,080)
Changes in fair values of financial assets at FVOCI - net	**(54,756)**	**(51,458)**	(6,728)	615
	403,392	**(1,899,409)**	1,506,743	4,158,086
SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising from translations of foreign investments	**(162,471)**	**(374,948)**	14,342	318,705
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gains (losses) on defined benefit plans	**(13,107)**	**20,694**	64,057	56,054
Changes in fair values of financial assets at FVOCI - net	**(691,608)**	**342,192**	42,618	(628,164)
	(867,186)	**(12,062)**	121,017	(253,405)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(463,794)**	**(1,911,471)**	1,627,760	3,904,681
TOTAL COMPREHENSIVE INCOME	**₱ 13,440,614**	**₱ 61,706,226**	₱ 14,789,012	₱ 44,706,800
Total Comprehensive Income Attributable to:				
Owners of the Parent Company	**₱ 7,996,805**	**₱ 45,053,952**	₱ 7,927,995	₱ 26,647,294
Non-controlling interests	**5,443,809**	**16,652,274**	6,861,017	18,059,506
	₱ 13,440,614	**₱ 61,706,226**	₱ 14,789,012	₱ 44,706,800

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY												
			Other Comprehensive Income										
	Paid-in Capital	Share-based Payments	Remeasurement Gains (Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Fair Value Reserve of Financial Assets at FVOCI	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
	For the period ended September 30, 2019 (Unaudited)												
At January 1, 2019, as previously stated	₱ 83,361,675	₱ 238,871	₱ (1,299,319)	₱ -	₱ (544,555)	₱ 2,276,669	₱ 10,872,124	₱ 1,087,015	₱ 196,914,989	₱ (2,300,000)	₱ 290,607,469	₱ 178,500,886	₱ 469,108,355
Effect of adoption of new accounting standards (Note 2)	-	-	-	-	-	-	-	-	(321,554)	-	(321,554)	-	(321,554)
As of January 1, 2019 (Restated)	83,361,675	238,871	(1,299,319)	-	(544,555)	2,276,669	10,872,124	1,087,015	196,593,435	(2,300,000)	290,285,915	178,500,886	468,786,801
Net Income	-	-	-	-		-	-	-	46,162,417	-	46,162,417	17,455,280	63,617,697
Other comprehensive income (loss)	-	-	4,928		(101,543)	(999,788)	-	-	-	-	(1,096,403)	(803,006)	(1,899,409)
Share in other comprehensive income (loss) of associates and joint ventures	-	-	20,694		342,192	(374,948)	-	-	-	-	(12,062)	-	(12,062)
Total comprehensive income (loss)	-	-	25,622	-	240,649	(1,374,736)	-	-	46,162,417	-	45,053,952	16,652,274	61,706,226
Exercise of ESOP/ESOWN	343,334	(414)	-		-	-	-	-	-	-	342,920	-	342,920
Cost of share-based payments	-	(4,690)	-		-	-	-	-	-	-	(4,690)	-	(4,690)
Acquisition of treasury stocks	-	-	-		-	-	-	-	-	(3,192,319)	(3,192,319)	-	(3,192,319)
Exercise of exchange option	-	-	-		-	-	12,323,299	(1,087,015)	-	-	11,236,284	3,901,950	15,138,234
Cash Dividends	-	-	-		-	-	-	-	(2,603,486)	-	(2,603,486)	(2,963,559)	(5,567,045)
Change in non-controlling interests	-	-	-		-	-	2,468,183	-	-	-	2,468,183	5,885,620	8,353,803
At September 30, 2019 (Unaudited)	**₱ 83,705,009**	**₱ 233,767**	**₱ (1,273,697)**	**₱ -**	**₱ (303,906)**	**₱ 901,933**	**₱ 25,663,606**	**₱ -**	**₱ 240,152,366**	**₱ (5,492,319)**	**₱ 343,586,759**	**₱ 201,977,171**	**₱ 545,563,930**

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY												
			Other Comprehensive Income										
	Paid-in Capital	Share-based Payments	Remeasurement Gains (Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Fair Value Reserve of Financial Assets at FVOCI	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
	For the period ended September 30, 2018 (Unaudited)												
As of January 1, 2018, as previously stated	₱ 75,001,174	₱ 248,212	₱ (1,303,288)	₱ (1,107,962)	₱ -	₱ 2,794,303	₱ 11,600,281	₱ 1,113,003	₱ 170,302,028	₱ (2,300,000)	₱ 256,347,751	₱ 154,744,637	₱ 411,092,388
Effect of adoption of new accounting standards	-	-	-	1,107,962	734,279	-	-	-	(1,157,092)	-	685,149	-	685,149
As of January 1, 2018 (Restated)	75,001,174	248,212	(1,303,288)	-	734,279	2,794,303	11,600,281	1,113,003	169,144,936	(2,300,000)	257,032,900	154,744,637	411,777,537
Net Income	-	-	-	-	-	-	-	-	23,863,767	-	23,863,767	16,938,352	40,802,119
Other comprehensive income (loss)	-	-	(44,183)	-	39,482	3,041,633	-	-	-	-	3,036,932	1,121,154	4,158,086
Share in other comprehensive income (loss) of associates and joint ventures	-	-	56,054	-	(628,164)	318,705	-	-	-	-	(253,405)	-	(253,405)
Total comprehensive income (loss)	-	-	11,871	-	(588,682)	3,360,338	-	-	23,863,767	-	26,647,294	18,059,506	44,706,800
Issuance of shares	8,065,296	-	-	-	-	-	-	-	-	-	8,065,296	-	8,065,296
Exercise of ESOP/ESOWN	231,295	(9,341)	-	-	-	-	-	-	-	-	221,954	-	221,954
Cost of share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of exchange option	-	-	-	-	-	-	279,459	(25,245)	-	-	254,214	75,395	329,609
Cash Dividends	-	-	-	-	-	-	-	-	(2,151,488)	-	(2,151,488)	(4,939,373)	(7,090,861)
Change in non-controlling interests	-	-	-	-	-	-	(2,190,796)	-	-	-	(2,190,796)	1,593,511	(597,285)
At September 30, 2018 (Unaudited)	₱ 83,297,765	₱ 238,871	₱ (1,291,417)	₱ -	₱ 145,597	₱ 6,154,641	₱ 9,688,944	₱ 1,087,758	₱ 190,857,215	₱ (2,300,000)	₱ 287,879,374	₱ 169,533,676	₱ 457,413,050

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY												
			Other Comprehensive Income										
	Paid-in Capital	Share-based Payments	Remeasurement Gains (Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Fair Value Reserve of Financial Assets at FVOCI	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
	For the year ended December 31, 2018 (Audited)												
As of January 1, 2018, as previously stated	₱ 75,001,174	₱ 248,212	₱ (1,303,288)	₱ (1,107,962)	₱ -	₱ 2,794,303	₱ 11,600,281	₱ 1,113,003	₱ 170,302,028	₱(2,300,000)	₱ 256,347,751	₱ 154,744,637	₱ 411,092,388
Effect of adoption of new accounting standards	-	-	-	1,107,962	153,233	-	-	-	413,714	-	1,674,909	227,531	1,902,440
As of January 1, 2018 (Restated)	75,001,174	248,212	(1,303,288)	-	153,233	2,794,303	11,600,281	1,113,003	170,715,742	(2,300,000)	258,022,660	154,972,168	412,994,828
Net Income	-	-	-	-	-	-	-	-	31,817,721	-	31,817,721	23,247,393	55,065,114
Other comprehensive income (loss)	-	-	(303,679)	-	(641,715)	(910,365)	-	-	-	-	(1,855,759)	(86,212)	(1,941,971)
Share in other comprehensive income (loss) of associates and joint ventures	-	-	307,648	-	(56,073)	392,731	-	-	-	-	644,306	-	644,306
Total comprehensive income (loss)	-	-	3,969	-	(697,788)	(517,634)	-	-	31,817,721	-	30,606,268	23,161,181	53,767,449
Issuance of shares	8,056,257	-	-	-	-	-	-	-	-	-	8,056,257	-	8,056,257
Exercise of ESOP/ESOWN	304,244	(340)	-	-	-	-	-	-	-	-	303,904	-	303,904
Cost of share-based payments	-	(9,001)	-	-	-	-	-	-	-	-	(9,001)	-	(9,001)
Exercise of exchange option	-	-	-	-	-	-	288,161	(25,988)	-	-	262,173	77,840	340,013
Cash Dividends	-	-	-	-	-	-	-	-	(5,618,474)	-	(5,618,474)	(5,664,159)	(11,282,633)
Change in non-controlling interests	-	-	-	-	-	-	(1,016,318)	-	-	-	(1,016,318)	5,953,856	4,937,538
At December 31, 2018 (Audited)	₱ 83,361,675	₱ 238,871	₱ (1,299,319)	₱ -	₱ (544,555)	₱ 2,276,669	₱ 10,872,124	₱ 1,087,015	₱ 196,914,989	₱(2,300,000)	₱ 290,607,469	₱ 178,500,886	₱ 469,108,355

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		September 2019		September 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱	**75,023,496**	₱	52,384,557
Adjustments for:				
Interest and other financing charges - net of amount capitalized		**17,960,775**		13,767,994
Depreciation and amortization		**12,950,174**		10,361,891
Cost of share-based payments		**84,966**		72,185
Provision for impairment losses		**889,783**		531,500
Mark to market gain on financial assets at fair value through profit or loss (FVPL) and derivatives		**(260,842)**		(412,738)
Dividend income		**(84,877)**		(427,070)
Other investment income		**(2,283,376)**		(1,244,068)
Gain on sale of:				
Investments		**(24,626,549)**		(1,483,555)
Other assets		**(195,225)**		(37,012)
Interest income		**(8,887,897)**		(5,821,794)
Share of profit of associates and joint ventures		**(17,357,916)**		(15,551,656)
Operating income before changes in operating assets and liabilities		**53,212,512**		52,140,234
Decrease (increase) in:				
Accounts and notes receivable - trade		**35,678,053**		1,512,940
Contract assets		**(531,242)**		(3,410,499)
Inventories		**9,984,090**		(2,374,883)
Service concession asset		**(6,525,595)**		(7,290,575)
Other current assets		**(17,072,844)**		5,407,291
Increase (decrease) in:				
Accounts payable and accrued expenses		**(15,496,461)**		(2,354,587)
Contract liabilities		**(75,458)**		43,997
Net pension liabilities		**(171,891)**		106,427
Other current liabilities		**(16,155,529)**		(1,857,851)
Net cash generated from operations		**42,845,635**		41,922,494
Interest received		**7,910,227**		5,747,458
Interest paid		**(18,484,312)**		(13,913,636)
Income tax paid		**(10,857,874)**		(11,929,372)
Net cash provided by operating activities	₱	**21,413,676**	₱	21,826,944

(Forward)

		September 2019		September 2018
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Sale/maturities of financial assets FVOCI	₱	**65,660**	₱	505,022
Sale/redemptions of investments in associates and joint ventures		**31,039,167**		328,710
Disposals of:				
Property, plant and equipment		**905,866**		820,250
Investment properties		**-**		365,540
Maturities of (additions to) short-term investments		**4,066,503**		(1,145,962)
Deductions/transfers (additions) to:				
Service concession assets		**(13,058)**		(8,383)
Investments in associates and joint ventures		**(4,065,917)**		(36,216,159)
Property, plant and equipment		**(14,192,126)**		(8,415,954)
Investment properties		**(27,052,352)**		(14,854,622)
Accounts and notes receivable - non-trade		**(6,666,423)**		(10,649,885)
Financial assets at FVTPL		**61,791**		-
Financial assets at FVOCI		**(2,423,859)**		(509,770)
Intangible assets		**416,603**		514,601
Dividends received from associates, joint ventures and investments in equity securities		**6,538,553**		8,492,755
Acquisitions through business combinations - net of cash acquired		**(3,081,074)**		(4,497,998)
Increase in other noncurrent assets		**(9,902,281)**		(2,568,798)
Net cash used in investing activities		**(24,302,947)**		(67,840,653)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short-term and long-term debt		**92,432,194**		69,215,471
Payments of short-term and long-term debt		**(65,085,011)**		(16,837,180)
Buyback of common shares		**(3,192,319)**		-
Issuance of common shares		**-**		8,065,296
Dividends paid		**(9,000,299)**		(8,064,836)
Payment of lease liabilities		**(737,793)**		-
Service concession obligation paid		**(308,621)**		(428,038)
Collections of subscriptions receivable		**274,677**		149,770
Cost of issuance/reissuance of shares		**(21,414)**		-
Increase in:				
Other noncurrent liabilities		**3,491,097**		6,945,985
Non-controlling interests in consolidated subsidiaries		**(5,833,370)**		(4,637,564)
Net cash provided by financing activities		**12,019,141**		54,408,904
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**9,129,870**		8,395,195
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**60,624,262**		64,259,279
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱	**69,754,132**	₱	72,654,474

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

1. Corporation Information and Basis of Financial Statement Preparation

Ayala Corporation (herein referred to as “the Company”, “the Parent Company” or “Ayala” is incorporated in the Republic of the Philippines on January 23, 1968. On April 15, 2016, during the annual meeting of its stockholders, the stockholders ratified the amendment of the Fourth Article of the Articles of Incorporation (AOI) to extend the corporate term for 50 years from January 23, 2018. The amendment to the AOI was approved by the Securities and Exchange Commission (SEC) on April 5, 2017. The Company’s registered office address and principal place of business is 32F-35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City. The Company is a publicly listed company which is 47.28% owned by Mermac, Inc. and the rest by the public.

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

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting.* Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2018 annual audited consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at and for the year ended December 31, 2018.

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

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

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

On November 7, 2019, the Company’s Audit Committee approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of Ayala Corporation and Subsidiaries.

2. Summary of Significant Accounting Policies

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

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

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

- PFRS 16, *Leases*

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

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

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

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

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

  Transition to PFRS 16

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

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

  The standard provides the following practical expedients which the Group adopted:

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

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

  Impact of PFRS 16

  The impact of PFRS 16 adoption is as follows:

  a) Nature of the effect of adoption of PFRS 16

  The Group has lease contracts for land, office space, facilities, plant, machinery, vehicles and other equipment. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Trade and other payables, respectively.

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

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

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

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

Leases previously accounted for as operating leases
The Group recognized ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition

exemption to leases that are considered of low value as defined in the accounting policies of subsidiaries. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The following table shows the individual line items in the Group's financial statements which were affected by the adjustments from the adoption of PFRS 16 (in thousand pesos).

For the period ended September 30, 2019 (Unaudited)	**Pre-PFRS 16**	**PFRS 16 impact**	**Post-PFRS 16**
Income Statement			
Increase in depreciation expenses	₱ 1,300,684	239,956	₱ 1,540,639
ROU interest expense	-	738,847	738,847
Decrease in share in net profit of associates and joint ventures	-	36,890	36,890
Provision for income tax - deferred	-	(503,899)	(503,899)
Decline in Net Income	**₱ 1,300,684**	**₱ 511,794**	**₱ 1,812,477**
As of January 1, 2019 (Unaudited)			
Balance Sheet			
Right-of-use (ROU) asset	₱ -	17,330,255	₱ 17,330,255
Deferred tax asset - net	-	1,841,274	1,841,274
Lease liability	-	20,495,468	20,495,468
Beginning Retained Earnings	196,914,989	(360,669)	196,554,320

Due to the adoption of PFRS 16, the Group's net income declined arising from increase in depreciation and interest expenses, and slight decline in share in equity earnings of associates and joint ventures. The adoption of PFRS 16 also had an impact on equity, specifically opening Retained Earnings.

The following table meantime shows the movement in the right-of-use asset and lease liability for the period ended September 30, 2019 (in thousand pesos).

	ROU Assets	**Lease Liabilities**
Beginning balances, January 1, 2019 (Unaudited)	₱ 17,330,255	₱ 20,495,468
Additions during the year including interest	479,396	829,684
Depreciation	(940,816)	-
Payments	-	(737,793)
Others	1,063	608,769
Ending Balance, September 30, 2019 (Unaudited)	**₱ 16,869,898**	**₱ 21,196,129**

For the period ended September 30, 2019, the Group's rental or lease expenses arising from certain contracts and are exempted from PFRS 16 amounted to: from short-term leases - ₱375.1 million, from variable lease payments - ₱116.5 million and low value items - ₱2.1 million.

- PFRS 15, *Revenue from Contracts with Customers*.
  The Philippine Interpretation Committee (PIC)'s letter to the Real Estate Industry dated September 27, 2019 in relation to the PFRS 15 implementation issues and other accounting issuances affecting the real estate industry (reference Conclusion of PIC Q&A 2018-12D).

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which resulted in the recording of contract asset in 2018 representing the difference between the consideration received from the customer and the transferred goods or services to a customer. However, given the case facts presented to the PIC, the definition of contract asset definition does not apply to real estate companies, like ALI, as the right to consideration is unconditional and only requires passage of time as set in the agreed payment term.

  Thus in 2019, based on the above PIC September 2019 letter to the real estate industry permitting reclassification, with certain conditions, of previously recognized Contract Assets to receivables, ALI recorded the difference between the consideration received from the customer and the transferred goods or services to a customer as unbilled receivable under PFRS 9.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

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

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

    The interpretation specifically addresses the following:

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

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

- *Annual Improvements to PFRSs 2015-2017 Cycle*

    - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint

operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

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

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

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

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

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

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

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

Effective beginning on or after January 1, 2021

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

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

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

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

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

Deferred Effectivity

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

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

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

3. Principles of Consolidation

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

		% of Economic Ownership Interest held by the Group	
Subsidiaries	**Nature of Business**	**September 2019 (Unaudited)**	December 2018 (Audited)
AC Energy, Inc. (AC Energy)	Power Generation	**100.0 %**	100.0 %
AC Infrastructure Holdings Corporation (AC Infra)	Infrastructure	**100.0**	100.0
AC International Finance Limited (ACIFL)*	Investment Holding	**100.0**	100.0
AG Counselors Corporation (AGCC)	Consulting Services	**100.0**	100.0
AC Industrial Technology Holdings Inc. (AC Industrials)	Industrial Technology and Automotive	**100.0**	100.0
Ayala Aviation Corporation (AAC)	Air Charter	**100.0**	100.0
AC Education, Inc. (AC Education)****	Education	**-**	100.0
Ayala Land, Inc. (ALI)	Real Estate and Hotels	**44.4**	47.0
AYC Finance Limited (AYCFL)*	Investment Holding	**100.0**	100.0
Azalea International Venture Partners Limited (AIVPL)**	Business Process Outsourcing (BPO)	**100.0**	100.0
Ayala Healthcare Holdings, Inc. (AC Health)	Healthcare	**100.0**	100.0
Bestfull Holdings Limited (BHL)***	Investment Holding - International	**100.0**	100.0
Darong Agricultural and Development Corporation (DADC)	Agriculture	**100.0**	100.0
HCX Technology Partners Inc. (HCX)	HR Technology Services	**100.0**	100.0
Integrated Microelectronics, Inc. (IMI)	Electronics	**52.1**	52.1
Manila Water Company, Inc. (MWC)	Water Infrastructure	**51.4**	51.4
Michigan Holdings, Inc. (MHI)	Investment Holding	**100.0**	100.0
Philwater Holdings Company, Inc. (Philwater)	Investment Holding	**100.0**	100.0
Purefoods International Limited (PFIL)**	Investment Holding	**100.0**	100.0
Technopark Land, Inc. (TLI)	Real Estate	**78.8**	78.8
AC Ventures Holding Corp. (AC Ventures)	Investment Holding	**100.0**	100.0

**Incorporated in Cayman Islands*
***Incorporated in British Virgin Islands*
****Incorporated in Hong Kong*
*****See related discussion below in AC Education Group.*

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

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

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

Parent Company

a) On various dates in 2019, the Parent Company infused additional capital to the following subsidiaries: AC Infra amounting to ₱2.1 billion mainly for LRT1 project (Cavite extension); AC Industrials amounting to ₱1.8 billion for operating expenses and various projects; AC Energy amounting to ₱3.4 billion mainly for PHEN transaction (recently renamed AC Energy Philippines, Inc. or ACEPH, formerly PHEN or PHINMA Energy Corporation); and AC Health amounting to ₱1.25 billion for certain capital expenditure, clinic expansion and new business development.

b) The holders of the remaining AYCFL US$292.8 million guaranteed exchangeable bonds as of December 31, 2018 claimed the option to convert the bonds into 377.5 million ALI common shares, bringing the balance of the guaranteed exchangeable bonds to zero as of September 30, 2019. The Group's effective ownership in ALI was reduced by 2.6% after this exchange.

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

c) On March 8, 2019, the Parent Company clarified the news article entitled, "Ayala Corp. 2019 capex set at ₱249.4 billion" posted on Business Mirror (Internet Edition) on March 8, 2019. The Company confirmed the statement made by the Chief Finance Officer, Mr. Jose Teodoro K. Limcaoco, that the Ayala group's capital expenditure budget is similar, if not slightly higher than last year. In addition, he confirmed that at the parent level, the capital expenditure budget will be lower compared to last year.

d) On March 12, 2019, the Board of Directors (BOD), at its regular meeting, approved the following:
   i. The amendment to the Primary Purpose under the Second Article of our Articles of Incorporation to expressly include, as part of the acts which our Company may perform in furtherance of its primary purpose, its acting as guarantor or surety for the loans and obligations of its affiliates or associates; and
   ii. The amendments of Sections 5, 6 and 8 of Article Ill of our By-Laws to allow our shareholders to vote through remote communication or in absentia, subject to the rules and regulations that may be issued by the Securities and Exchange Commission from time to time.

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

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

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

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

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

f) On April 24, 2019, the Parent Company confirmed the statement of Chief Finance Officer, Mr. Jose Teodoro K. Limcaoco, in the news article titled, "Ayala on track to post ₱50-billion profit" posted on Manila Standard (Internet Edition) on April 23, 2019.

g) On April 29, 2019, the Parent Company confirmed the statements in the news article titled, "Ayala launches US$150 M venture capital fund" posted on Philippine Star (Internet Edition) on April 27, 2019. However, they clarified that the fund will be managed by Kickstart Ventures Inc., which is a subsidiary of Globe Telecom, a joint venture by the Parent Company.

h) On May 10, 2019, the Company reported a net income of ₱8 billion in the first quarter of the year, five percent higher from a year ago, lifted by its real estate, banking, and telco units and boosted by net accounting gains from the merger of its education arm with the Yuchengco group.

   On August 13, 2019, the Company reported that its net income expanded twofold in the first half of the year to ₱37.8 billion from a year ago, driven by the solid growth of its banking, telecommunications, and real estate units combined with gains from value realization exercises in its emerging businesses like the power unit.

ALI Group

a) On February 4, 2019, the Executive Committee of ALI approved the purchase of a 20% equity interest owned by Mitsubishi Corporation in Laguna Technopark, Inc. (LTI), equivalent to 8,051 common shares, with a total value of ₱800 million. Subsequently, ALI will exchange the 20%

equity interest in LTI for additional shares of stock in AyalaLand Logistics Holdings Corp. (ALLHC) (formerly Prime Orion Philippines, Inc. or POPI), equivalent to 323,886,640 common shares, subject to conditions to be fulfilled by ALLHC.

On June 10, 2019, further to the disclosure last February 4, 2019, ALI sold its 20% equity interest or 8,051 common shares in LTI to ALLHC for a consideration of ₱800 million.

On September 27, 2019, ALI acquired 215,090,031 common shares of ALLHC from Avida Land Corp. through a special block sale at ₱2.92/share for a total consideration of ₱628.1 million. As a result of the transaction, ALI's effective ownership in ALLHC increased to 71.68%.

b) On February 27, 2019, the BOD of ALI approved the declaration of cash dividends amounting to ₱0.26 per outstanding common share. These will be paid on March 29, 2019 to shareholders on record as of March 13, 2019.

On May 24, 2019, the BOD of ALI approved the declaration of cash dividends amounting to ₱0.00474786 per outstanding preferred share. These were paid on June 21, 2019 to shareholders on record as of June 7, 2019.

c) The BOD of ALI also approved ALI's 2019 stock option program pursuant to their Employee Stock Ownership Plan (ESOWN). The program authorizes the grant to qualified executives, in accordance with the terms of the ESOWN, stock options covering up to a total of 14,430,750 common shares at a subscription price of ₱44.49 per share, which is the average price of our common shares at the Philippine Stock Exchange over the last 30-day trading as of February 26, 2019.

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

d) On 24 April 2019, ALI's subsidiary, AyalaLand REIT, Inc. (AREIT), intends to publicly list as a Real Estate Investment Trust (REIT) under the current Implementing Rules and Regulations of the Securities and Exchange Commission on REITs and following the minimum public ownership requirement of 67%. ALI believes that the REIT initiative is a viable investment vehicle to access new investors, recycle and reinvest capital, and promote the development of the Philippine capital markets as a whole. While ALI intends to initially seed AREIT with prime, Grade-A commercial office assets in Makati, the offer structure, including terms and conditions thereof, are yet to be finalized. Disclosures shall be made in due course, consistent with applicable rules and regulations. AREIT plans to list within the year once all regulatory approvals are in place. AREIT has appointed BPI Capital Corporation as the Issue Manager, Lead Underwriter and Bookrunner for the transaction.

e) On September 24, 2019, ALI sold to Manila Jockey Club, Inc. (MJC) its rights, titles and interest in Vertex One Building (Vertex One), located at Felix Huertas Road, Sta. Cruz, Manila, consisting of office units with an aggregate area of 13,517 sqm and 206 appurtenant parking spaces, resulting in MJC owning 100% of Vertex One for a total consideration of ₱511.7 million.

f) The voting rights held by the Group in ALI as of September 30, 2019 and December 31, 2018 is equal to 67.3% and 68.7%, respectively.

MWC Group

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

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

b) On January 25, 2019, Manila Water Philippine Ventures, Inc. (MWPVI) received a Notice to Proceed from the Municipality of Manaoag, Pangasinan, granting MWPVI a franchise for the provision and improvement of the water supply operation, maintenance, management, financing and expansion, and the provision of septage management in the Municipality of

Manaoag. The franchise granted to MWPVI shall be for a term of twenty five (25) years, excluding two (2) years of construction.

c) On February 4, 2019, MWC Group and MWPVI (collectively, the "Consortium") signed and executed a joint venture agreement (JVA) with the Tanauan Water District for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water supply and sanitation facilities and services of the Tanauan Water District in Tanauan City, Batangas (the Tanauan Project). Upon completion of the condition precedent set out in the JVA, the Consortium, through a SPV, and the Tanauan Water District shall execute the Tanauan Project for a period of twenty-five (25) years from the commencement date.

d) The BOD of MWC approved the following:
   - On February 26, 2019, the amendment of the second article of incorporation to include the authority to enter into contracts of guarantee and/or suretyships.
   - On February 26, 2019, the declaration of cash dividends of ₱0.4551 per share on outstanding common shares and ₱0.0455 per share on outstanding participating preferred shares with date of record on March 14, 2019 and payment date of March 28, 2019.
   - On September 27, 2019, the declaration of cash dividends for the second semester of 2019, amounting to ₱0.4551 per share on the outstanding common shares and ₱0.0455 per share on the outstanding participating preferred shares, respectively, payable on October 25, 2019 to stockholders of record as of October 14, 2019.

e) On March 26, 2019, MWC announced a one-time voluntary bill waiver for the month of March 2019 consumption, which was reflected in the April 2019 billing to help ease the inconvenience of the water shortage to all customers of MWC in the East Zone.

f) The following foreign currency differential adjustment (FCDA) were implemented to the water rates of East Zone customers:
   - Effective April 1, 2019, ₱0.52 per cubic meter adjustment which was based on the exchange rate of USD1 to ₱52.77 and JPY1 to ₱0.468. The FCDA of the water bill will be adjusted to 1.81% of the basic charge.
   - Effective October 13, 2019, ₱0.69 per cubic meter adjustment which was based on the exchange rate of USD1.00 to ₱52.413 and JPY1.00 to ₱0.472. The FCDA of the water bill will be adjusted to 2.43% of the basic charge.

g) On April 24, 2019, Metropolitan Waterworks and Sewerage System (MWSS) imposed a financial penalty of ₱534.05 million on MWC for its failure to meet its service obligation to provide 24/7 water supply to its customers. While the development of new water sources is, under the Concession Agreement, ultimately the responsibility of MWSS, MWC has abided by the decision of MWSS to pay the financial penalty and set aside capital of ₱600.0 million to invest in new water sources. The financial penalty would be distributed to MWC's customers through rebates wherein all connections as of March 31, 2019 would receive a minimum rebate equivalent to their first 10 cubic meters or ₱153.93 while identified severely affected accounts will receive an additional rebate of ₱2,197.94. This amount forms part of the Group's General and Administrative Expenses as of September 30, 2019.

h) On June 14, 2019, Bulakan Water and the Bulacan Water District (BWD) signed and executed a Concession Agreement for the design, construction, rehabilitation, operation, maintenance, financing, expansion, and management of water facilities and the provision of water and sanitation services in the Municipality of Bulakan for a period of twenty-five (25) years from the Commencement Date.

i) On July 3, 2019, the MWC signed and executed a joint venture agreement with the Lambunao Water District (LWD) for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water system of LWD in the Municipality of Lambunao in the Province of Iloilo.

j) On July 3, 2019, the MWC signed and executed a joint venture agreement with the Calbayog City Water District (CCWD) for the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water and wastewater system of CCWD in the City of Calbayog.

k) On July 31, 2019, MWTS entered into a joint venture agreement with the City of Marikina to build and operate and Integrated Waste Management Facility to treat and process the city solid waste of Marikina City.

l) On August 6, 2019, the MWC signed an Offtake Agreement with the MWSS and WawaJVCo, Inc. for a term of 30 years. This will involve the supply of raw water from the Wawa and Tayabasan rivers. The first phase will involve the supply of 80 million liters per day (MLD) of raw water by December 31, 2021 while the second phase will involve the supply of an additional 438 MLD of raw water by December 31, 2025. This is among the medium-term water supply augmentation measures identified to provide water security and sustainability to the consumers of in the East Service Area.

m) Sewerage and Sanitation System
Since 1997, Manila Water has significantly improved and expanded the limited used water infrastructure originally operated and maintained by the MWSS. Sewerage services are provided in areas where treatment facilities are available. Sewered areas currently include Quezon City and Makati. Parts of Manila, Taguig, Cainta, Pasig and Mandaluyong are also connected to sewer networks.

Manila Water had few facilities for sewerage services in 1997. The Sewage Treatment Plant ("STP") in Magallanes Village was then the largest treatment facility in the country with a 40 MLD capacity. The STP in Magallanes provides sewerage services to the Makati central business district and some residential villages. The Karangalan Bio-module in Karangalan Village was serving approximately 100 households but also produced substandard effluent quality before 1997. In addition to these facilities, an Imhoff tank in Phil-Am Village and thirty-one communal septic tanks ("CSTs") in Quezon City were also turned-over by the MWSS to Manila Water in 1997. These facilities were then serving approximately 19,000 households only. Prior to privatization, these facilities had poor treatment efficiency and did not comply to meet effluent quality standards. Manila Water upgraded these facilities to meet the effluent standards set by the DENR.

In 2001, Manila Water constructed two (2) pilot package plants to determine if they were feasible in terms of social, financial, and environmental aspects. These are located in Valle Verde Homes, Pasig, one of which serves approximately 100 households, and another serves some 400 households of the housing project in Makati together with approximately 4,000 students and employees in Rizal Elementary School.

With the success of the two (2) pilot STPs, Manila Water implemented the Manila Second Sewerage Project ("MSSP") funded by World Bank. Under the MSSP, twenty-six (26) STPs were constructed. Sixteen (16) of these STPs were formerly CSTs and the rest are on-site STPs for medium and high-rise housing establishments and for the University of the Philippines campus. Takeover and upgrade of the STP in Diego Silang, Taguig was also part of the MSSP.

As part of its commitment to expand this service, Manila Water constructed and subsequently operated in 2008 under the Manila Third Sewerage Project ("MTSP") two (2) Septage Treatment Plans aimed at managing septic tank materials siphoned from the East Concession customers. A total of 77 desludging trucks are available daily for deployment to ensure the desludging service is rendered to the entire East Zone population over the next five (5) years. Since 1997, Manila Water has already provided desludging service to more than 2,000,000 households.

The MTSP is a follow-up to the MSSP and has the ultimate objective of improving sewerage and sanitation conditions in the East Zone. It was developed as a means of achieving Manila Water's sewerage and sanitation service targets. The remaining components of the MTSP include the construction of sewer networks and treatment plants in several locations in the East Zone including upgrading of existing communal septic tanks with secondary treatment levels. There were six (6) sewage and septage treatment plants that were constructed under MTSP. It was in this project that combined sewer and drainage system was implemented. Out of the six (6) facilities, four (4) employed this approach.

In 2015, two (2) new used water facilities became operational, and these are the Marikina North STP and Liwasan ng Kagitingan at Kalikasan STP which have a combined capacity of 175 mld and by far, the biggest STPs of Manila Water. Another remarkable feature of the two (2) STPs is that both have the same treatment technology known as the Sequencing Batch Reactor whereas the thirty-eight (38) facilities that were constructed under MSSP, MTSP and the takeover projects all employ the Conventional Activated Sludge treatment. As of end of 2016, the Company operates forty (40) used water facilities including the Marikina North and Liwasan ng Kagitingan at Kalikasan STPs, with a total capacity of 310 mld, compared to 40MLD in 1997. Customers who are not connected to the sewer network are provided with septic tank maintenance services through the “Sanitasyon Para Sa Barangay” program. Through cooperation with the barangays, the program aims to desludge all septic tanks in a barangay without charge over a specified, set schedule.

For 2018, Manila Water has provided the service to 209,037 households which is equivalent to 112,836 septic tanks emptied. For the years covering 2007-2017, the total households provided with the desludging service were 2,243,323 equivalent to 701,630 septic tanks desludged. Furthermore, the average availment rate of the program has significantly increased through a more intensive Information, Education and Communication (“IEC”) program per barangay to educate customers of the East Zone about the importance of a properly maintained septic tanks. The technical assistance component focus on information and education campaigns on proper liquid waste disposal and environment preservation and the preparation of follow-up programs on sewerage and sanitation, with emphasis on low-cost sanitation systems.

As of June 2019, Manila Water has provided the service to 70,461 households which is equivalent to 39,611 septic tanks emptied. For the years covering 2007-2018, the total households provided with the desludging service were 2,452,360, equivalent to 814,466 septic tanks desludged. Furthermore, the average availment rate of the program has significantly increased through a more intensive IEC program per barangay to educate customers of the East Zone about the importance of a properly maintained septic tanks. The technical assistance component focus on information and education campaigns on proper liquid waste disposal and environment preservation and the preparation of follow-up programs on sewerage and sanitation, with emphasis on low-cost sanitation systems.

On September 18, 2019, Manila Water received a copy of the Decision of the Supreme Court on the case of ‘Manila Water Company, Inc. vs. The Secretary of the Department of Environment and Natural Resources, et.al.’ with G.R. No. 206823 promulgated on August 6, 2019.

The legal proceedings before the Supreme Court originated from a complaint filed by the Regional Directors of the Environmental Management Bureau before the Pollution Adjudication Board (“PAB”) against the Manila Water, Maynilad Water Services, Inc. (“Maynilad”) and the Metropolitan Waterworks and Sewerage System (“MWSS”) for alleged violation of R.A. No. 9275 or the Philippine Clean Water Act of 2004 (the “Philippine Clean Water Act”), particularly the five-year deadline imposed in Section 8 thereof for connecting the existing sewage line found in all subdivisions, condominiums, commercial centers, hotels, sports and recreational facilities, hospitals, market places, public buildings, industrial complex and other similar establishments including households, to an available sewerage system.

The Supreme Court found the Company liable for fines in the following manner:

a) The Company shall be jointly and severally liable with the Metropolitan Waterworks and Sewerage System for the total amount of ₱921,464,184.00 covering the period starting from May 7, 2009 to the date of promulgation of the Decision, August 6, 2019, to be paid within fifteen (15) days from finality of the Decision.

b) From finality of the Decision until full payment of the ₱921,464,184.00 fine, the Company shall be fined in the initial amount of ₱322,102.00 per day, subject to a further 10% increase every two (2) years as provided under Section 28 of the Philippine Clean Water Act, until full compliance with Section 8 of the same law.

c) The total amount of fines imposed by the Decision shall earn legal interest of 6% per annum from finality and until full satisfaction thereof.

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

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

IMI Group

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

   IMI Singapore received the deposits for future subscription amounting to US$60.0 million as of September 30, 2019 and another US$40.0 million in October 2019. Allotment and actual issuance of shares transpired in July 2019.

b) In 2019, IMI finalized the purchase price allocation of VTS-Touchsensor Co., Ltd. with certain changes to the provisional values based on additional information subsequently obtained: The fair value of the property, plant and equipment and intangible asset increased by US$7.16 million and US$2.58 million, respectively. The increase in intangible asset is attributable to the fair value of customer relationships. This resulted in recognition of ₱86 million gain booked in the consolidated Other Income.

c) On April 8, 2019, the BOD of IMI approved the declaration of cash dividend of US$0.00201 or ₱0.10542 per share to all outstanding common shares aggregating to $4.44 million or ₱232.9 million as of record date of April 25, 2019 paid on May 7, 2019.

d) As of September 30, 2019, the Parent Company and AC Industrials effectively own 52.1% of IMI. The voting rights held by the Group in IMI as of September 30, 2019 and December 31, 2018 is equal to 52.1%.

AC Energy Group

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

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

   AC Energy used the carrying value of its investment in AA Thermal to determine the estimated ₱22.7 billion net gain on sale which is reflected in the Group's Income Statement under Other Income and certain GAE accounts (see Section 2.8). As a result of completing the AA Thermal Transaction, the remaining economic interest in AA Thermal was booked in its carrying value and accounted for under equity method and classified under the Group's Investment in Associates and Joint Ventures (see Note 10).

   AA Thermal has ownership interest in the 2x300 MW coal-fired power plant in Mariveles, Bataan owned by GNPower Mariveles Coal Plant Ltd. Co., which has been in operations since 2014, and in the 2x600 MW supercritical coal-fired power plant in Dinginin, Bataan owned by GNPower Dinginin Ltd. Co., which is currently under construction.

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

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

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

   PCC approval was issued on April 11, 2019.

On June 24, 2019, AC Energy completed the PHEN acquisition. AC Energy acquired PHINMA's shares for ₱3.7 billion and subscribed to PHEN primary shares for ₱2.6 billion. AC Energy made a tender offer for other PHEN shareholders on May 20, 2019 to June 19, 2019. As of September 30, 2019, AC Energy directly owns 66.34% of the PHEN's total outstanding shares of stock. With the PHEN acquisition, AC Energy's economic interest in SLTEC increased to 80%.

The purchase consideration of ₱6.3 billion upon signing of the agreement was paid in cash and also involves the assumption of debt and other liabilities.

Investment in PHEN (recently renamed AC Energy Philippines, Inc. or ACEPH)
The provisional fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition of PHEN follow:

Assets	
Cash and cash equivalents	₱3,600,844,952
Receivables - net	3,108,296,992
Other current assets	454,712,097
Investments	4,045,762,191
Property, plant and equipment	4,421,094,004
Intangibles	135,316,742
Other noncurrent assets	3,244,478,528
	19,010,505,506
Liabilities	
Accounts payable and accrued expenses	2,804,425,398
Loans and other noncurrent liabilities	7,155,823,150
	9,960,248,548
Net Assets	₱9,050,256,958

Cost of acquisition	₱6,301,353,308
Less: Share in the fair value of net assets acquired	6,003,940,466
Provisional Goodwill	₱297,412,842
Non-controlling interest	₱3,046,316,492

Cash consideration	₱6,301,353,308
Less: Cash acquired from the subsidiary	3,600,844,952
Net cash outflow	₱2,700,508,356

From June 24 to September 30, 2019, the Group's (thru AC Energy) share in PHEN's revenue and net income amounted to ₱2.45 million and ₱215.91 million, respectively. Had the combination taken place at the beginning of 2019, the Group's share in ACEPH's revenue and net loss would have been ₱11.52 million and ₱353.10 million, respectively.

Investment in South Luzon Thermal Energy Corp (SLTEC)
On July 9, 2019, a Share Purchase Agreement (SPA) was signed between the AC Energy and Axia Prime Holdings for the sale of 20% interest of the latter in SLTEC which resulted in AC Energy's increase in ownership stake in SLTEC from 35% in December 2018 to 80% as of September 2019.

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

Assets	
Cash and cash equivalents	₱1,809,434,499
Restricted cash	158,028,245
Receivables - net	202,676,821
Other current assets	1,190,240,091
Property, plant and equipment	22,146,801,551
Other noncurrent assets	396,430,639
	25,903,611,846
Liabilities	
Accounts payable and accrued expenses	818,096,947

Loans and other noncurrent liabilities	11,430,715,098
	12,248,812,045
Net Assets	13,654,799,801
Less: Cost of acquisition	2,730,959,960
Fair value of previously held interest	8,855,547,315
Non-controlling interest	2,068,292,526
Goodwill	₱–

Fair value of previously held interest	₱8,855,547,315
Less: Carrying value of previously held interest	7,124,131,480
Remeasurement gain (see Section 2.8)	₱1,731,415,834

Cash consideration	₱–
Less: Cash acquired from the subsidiary	1,809,434,499
Net cash outflow	(₱1,809,434,499)

From July 9 to September 30, 2019, the Group's (thru AC Energy) share in SLTEC's revenue and net loss amounted to ₱1.21 million and ₱79.46 million, respectively. Had the combination taken place at the beginning of 2019, the Group's share in SLTEC's revenue and net loss would have been ₱3.52 million and ₱325.21 million, respectively.

The above purchase price allocation (PPA) for the acquisition and consolidation of both PHEN and SLTEC have been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation. This includes information necessary for the valuation of other intangible assets, if any. Reasonable changes are expected as additional information becomes available. The accounts that are subject to provisional accounting are receivables, investments in subsidiaries associates and joint ventures, property, plant and equipment, intangible assets and goodwill. For both acquisitions, certain intangibles are primarily attributed to the expected synergies and other benefits from combining the assets and activities of the Group. The PPA will be finalized in 2019 or within one year from the date of closure of this acquisition transaction.

Consequent to the foregoing is a share-swap between PHEN and AC Energy in October 2019 (see Note 24).

c) On April 29, 2019, the Parent Company confirmed the news article titled, AC Energy, partner looking at wind-power project in Vietnam" posted on Business Mirror (Internet Edition) on April 29, 2019. AC Energy and the BIM Group of Vietnam are expected to collaborate again for a wind-power project in Vietnam, following the inauguration of their 330-megawatt (MW) solar farm. However, discussions are still ongoing and there is no firm commitment on project expansion from either party.

d) On May 6, 2019, AC Energy in partnership with The Blue Circle (TBC) signed a Shareholders' Agreement to jointly construct, own and operate the Mui Ne Wind Farm located at the Binh Thuan province, Southeastern coast of Vietnam. Construction for the 40 MW first phase will commence immediately with an estimated cost of US$92 million, to be financed by debt and equity. The Mui Ne Wind Farm has an expansion potential of up to 170 MW. AC Energy accounts for over 62% of the economic ownership including its 50% direct voting stake. Project completion of the first phase is expected in the first half of 2020, in time for the new wind feed-in-tariff deadline of November 2021.

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

   On September 30, 2019, PCC approved Proverbs 16 acquisition of the indirect ownership of GN Power Kauswagan Ltd. Co. (GNPK) through the purchase of the shares in the three holding companies of AC Energy. In particular, Proverbs 16 would purchase 70% of the shares in BVI (Philco), 70% of the shares in ACE BVI (B) and 100% of the shares in ACE BVI (D). The three entities hold a limited partnership interest over Kauswagan Power Holdings Ltd. Co. which in turn has a limited partnership interest in GNPK.

Major classes of GNPK's accounts were classified: assets into "held for sale" and liabilities into "for disposal of a business group" as of September 30, 2019 (unaudited) as follows (amounts in thousands):

		September 2019 (Unaudited)
Assets		
Cash and cash equivalents	₱	**4,118,856**
Accounts and other receivables		**3,855,638**
Inventories		**314,389**
Other current assets		**5,399,410**
Property and equipment		**46,605,596**
Other noncurrent assets		**351,316**
Assets Held for Sale (Note 8)	₱	**60,645,205**
Liabilities		
Accounts and other payables	₱	**365,123**
Long-term debt		**39,791,274**
Other noncurrent liabilities		**1,513,483**
Liabilities Attributable to Unit for Disposal (Note 15)	₱	**41,669,880**

f) On September 9 and 11, 2019, AC Energy's subsidiary, PHEN was declared to have one of the best bids in Meralco's competitive bidding for baseload and mid-merit supply of electricity, respectively. Subject to post-qualification evaluation, execution of the power supply agreement, and approval of the Energy Regulatory Commission (ERC), PHEN will supply Meralco's baseload demand of 200MW from December 26, 2019 until December 25, 2029, and a mid-merit supply of 110MW from December 26, 2019 until December 25, 2024.

g) On various dates between January to September 2019, the Parent Company infused additional capital to AC Energy amounting to ₱3.4 billion mainly to fund its PHEN transaction.

AC Industrials Group

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

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

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

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

   The purchase price allocation (PPA) for the acquisition of C-CON is preliminary while information to facilitate fair value computation are being finalized. This includes information necessary for the valuation of other intangible assets, if any. Reasonable changes are expected as additional information becomes available. The provisional PPA will be finalized within one year from the date of closure of this acquisition transaction.

c) On various dates between January to September 2019, the Parent Company infused additional capital to AC Industrials amounting to ₱1.8 billion to fund its various investments.

AC Infra Group

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

AC Education Group

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

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

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

   Ayala received approximately ₱4.4 billion worth of primary IPO shares from the merger. Additionally, Ayala acquired ₱0.8 billion worth of secondary IPO shares resulting in a total cost of investment in IPO at ₱5.2 billion.

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

   The PPA for the investment in IPO has been prepared on preliminary basis. Key assets of IPO, post-merger, consist mainly of land, property & equipment and intangibles. Notional goodwill on this new investment amounted to ₱1.9 billion as of June 30, 2019.

AC Health Group

a) On March 13, 2019, AC Health signed conditional agreements to subscribe to an additional 2.5% stake in each of the Generika companies namely Actimed, Inc. (Actimed), Novelis Solutions, Inc. (Novelis), Pharm Gen Ventures Corp. (PharmGen) and Erikagen, Inc. (Erikagen). The total subscription of ₱78 million will result in AC Health having 52.5% ownership in these companies.

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

   On July 4, 2019, following the completion of conditions precedent, AC Health proceeded with the closing of the increase to 52.5% in its equity stake in Erikagen, Inc.

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

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

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

Analysis of cash flows on acquisition follows:

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

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

b) AC Health, through its technology arm, Vigos, expanded its digital portfolio with a recent investment in Fibronostics, a global US-based healthcare technology company focusing on non-invasive algorithm-based solutions for diagnostic testing. The agreement was signed by AC Health President and CEO, Paolo Borromeo, AC Health Chief Digital Officer, Christian Besler, and SPRIM Ventures Managing Partner, Dr. Michael Shleifer last May 31, 2019. SPRIM is the bioscience R&D firm from which Fibronostics was spun off.

c) On various dates in 2019, AC Health made certain infusions in health and wellness related investments including full payment of subscription to Zapfam. These investments include those with ePharmacy and online medicines delivery and hospital operations.

d) On various dates between January to September 2019, the Parent Company infused additional capital to AC Health amounting to ₱1.25 billion to fund its various investments.

ACIFL

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

e) On various dates between January to September 2019, ACIFL infused additional capital to ACI Singapore amounting to US$75.4 million to fund its various investments particularly its subscription of RCPS of IMI Singapore (see above IMI Group discussion).

AAC

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

Material partly-owned subsidiaries

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

		September 2019 (Unaudited)		December 2018 (Audited)	
		(In Millions)			
Ayala Land, Inc. and Subsidiaries					
Current assets	₱	**270,974**	₱	302,830	
Non-current assets		**410,929**		365,990	
Current liabilities		**207,669**		240,784	
Non-current liabilities		**235,440**		207,815	
Equity					
Attributable to owners of the parent		**204,876**		187,300	
Attributable to non-controlling interest		**33,918**		32,921	
Revenue		**121,657**		119,681	*
Net income					
Attributable to owners of the parent		**23,210**		20,770	*
Attributable to non-controlling interest		**3,074**		3,225	*
Other comprehensive income		**145**		(90)	*
Manila Water Co. Inc. and Subsidiaries					
Current assets	₱	**10,692**	₱	13,449	
Non-current assets		**116,830**		109,085	
Current liabilities		**20,897**		22,708	
Non-current liabilities		**49,621**		46,204	
Equity					
Attributable to owners of the parent		**55,766**		52,490	
Attributable to non-controlling interest		**1,239**		1,131	
Revenue		**16,142**		14,659	*
Net income					
Attributable to owners of the parent		**4,407**		4,926	*
Attributable to non-controlling interest		**108**		81	*
Other comprehensive income		**(109)**		737	*
Integrated Microelectronics, Inc. and Subsidiaries					
Current assets	**US$**	**638**	US$	697	
Non-current assets		**413**		380	
Current liabilities		**444**		526	
Non-current liabilities		**160**		140	
Equity					
Attributable to owners of the parent		**384**		403	
Attributable to non-controlling interest		**3**		8	
Capital Stock - preferred		**60**		-	
Revenue		**940**		1,011	*
Net income					
Attributable to owners of the parent		**0**		41	*
Attributable to non-controlling interest		**(4)**		1	*
Other comprehensive income		**(15)**		(8)	*

***** *Based on unaudited September 30, 2018.*

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

4. Cash and Cash Equivalents

This account consists of the following:

		September 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Cash on hand and in banks	₱	**27,121,767**	₱	26,213,080
Cash equivalents		**42,632,365**		34,411,183
	₱	**69,754,132**	₱	60,624,263

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

The Group maintains cash and cash equivalents with Bank of the Philippine Islands (BPI), an associate of the Parent Company and related party of the Group, amounting to ₱25.7 billion and ₱26.2 billion, as of September 30, 2019 (unaudited) and December 31, 2018 (audited), respectively (see Note 22).

5. Short-term Investments

This account consists of the following:

		September 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Money market placements	₱	**1,889,986**	₱	5,956,489

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

The Group maintains short-term investments with BPI amounting to ₱60.0 million and ₱2,838.4 million, as of September 30, 2019 (unaudited) and December 31, 2018 (audited), respectively (see Note 22).

6. Accounts and Notes Receivable – net

This account consists of the following:

	September 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Trade:		
Real estate	₱ 103,995,132	₱ 54,390,917
Electronics	14,091,844	16,202,397
Power generation	4,208,868	1,072,345
Automotive	3,161,386	2,896,516
Water infrastructure	2,750,035	2,614,044
Information technology and BPO	313,229	261,012
International and others	771,674	47,348
Advances to other companies	24,034,174	24,842,066
Receivable from related parties (Note 22)	13,975,823	8,964,594
Receivable from officers and employees (Note 22)	1,415,759	1,497,997
Receivable from Bonifacio Water Corporation (BWC)	282,486	388,411
Dividend receivable	96,966	1,334,894
Others	410,154	388,518
	169,507,531	114,901,059
Less allowance for expected credit losses	3,263,980	3,016,237
	166,243,551	111,884,822
Less noncurrent portion	34,976,424	6,366,250
	₱ 131,267,127	₱ 105,518,572

The aging analysis of accounts and notes receivables that are past due but not impaired as of September 30, 2019 (unaudited) follows:

	Neither Past Due Nor Impaired	Past Due But Not Impaired						Individually Impaired	TOTAL
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Sub-Total		
	in Millions								
Trade:									
Real estate	₱ 83,480	₱ 1,915	₱ 1,145	₱ 1,105	₱ 1,369	₱ 8,504	₱ 14,038	₱ 392	₱ 97,910
Electronics manufacturing	12,185	578	501	243	102	427	1,851	56	14,092
Water infrastructure	506	460	113	30	24	359	985	1,259	2,750
Automotive	1,084	429	621	268	280	425	2,024	54	3,161
Power generation	4,166	-	-	-	-	-	-	43	4,209
Information technology and BPO	237	32	15	3	3	23	76	-	313
International and others	733	7	22	0	10	1	39	-	772
Advances to other companies	16,340	653	69	125	147	5,268	6,263	411	23,013
Receivable from related parties	11,623	1,014	448	400	62	355	2,280	20	13,923
Receivable from officers and employees	1,278	3	4	7	6	116	137	1	1,416
Receivable from BWC	282	-	-	-	-	-	-	-	282
Dividend receivable	97	-	-	-	-	-	-	-	97
Others	6,472	90	9	2	4	992	1,097	-	7,569
TOTAL	₱ 138,482	₱ 5,182	₱ 2,946	₱ 2,183	₱ 2,009	₱ 16,471	₱ 28,790	₱ 2,236	₱ 169,508

The classes of trade receivables of the Group follow:

Real estate

Real estate receivables consist of:

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

- Management fees - pertain to receivables from facilities management services
- Others - pertain to receivables from hotel operations and other support services

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

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

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

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

The ALI Group sold real estate receivables on a without recourse basis to partner mortgage banks, which include BPI Family Savings Bank, a related party, totaling to ₱9,977 million and ₱10,181 million in September 2019 and 2018 (both unaudited), respectively. These were sold at a discount with total proceeds of ₱9,282 million and ₱9,599 million in September 2019 and 2018 (both unaudited), respectively. ALI recognized loss on sale, booked under "Other Financing Charges" amounting to ₱695 million and ₱582 million for the period ended September 2019 and 2018 (both unaudited), respectively.

As of September 30, 2019, the group's receivables, with real estate trade accounts taking significant portion, was affected by PIC's September 2019 letter response to real estate industry (see Note 2, Note 9 and Section 2.8 [3] Variance Report).

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

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

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

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

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

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

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

The nature of the Group's other receivables follows:

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

Advances to other companies also includes receivables from MRT Development Corporation (MRTDC) shareholders which pertains to interest-bearing advances made by North Triangle Depot Commercial Corporation (NTDCC) to MRTDC equivalent to the Pre-2006 Development Rights Payment (DRP) Payables and the Residual Depot DRP which is due more than one year, in relation to the funding and repayment agreement.

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

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

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

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

Provision for Doubtful Accounts amounted to ₱186.1 million and ₱155.1 million for the periods ended September 30, 2019 and 2018 (both unaudited), respectively, which form part of the Group's General and Administrative Expenses.

7. Inventories

This account consists of the following:

		September 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Real estate inventories				
At cost	₱	**94,858,207**	₱	103,959,585
Vehicles		**4,581,316**		4,640,443
Finished goods		**156,298**		143,535
Work-in-process		**19,669**		250,143
Parts and accessories		**724,471**		541,906
Materials, supplies and others		**11,016,537**		11,502,053
		111,356,497		121,037,666
Less: Allowance for inventory obsolescence and decline in value		**471,901**		477,173
	₱	**110,884,596**	₱	120,560,493

The Group's provision for inventory obsolescence and write-off amounted to ₱26.0 million and ₱43.4 million for the period ended September 30, 2019 and 2018 (both unaudited), respectively. These form part of the consolidated General and Administrative Expenses.

8. Other Current Assets and Other Noncurrent Assets

These accounts consist of the following:

		September 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Prepaid expenses	₱	**25,834,478**	₱	13,546,821
Input VAT		**18,303,137**		15,694,759
Financial assets at FVTPL		**10,207,687**		9,236,804
Creditable withholding tax		**6,397,129**		4,771,550
Advances to contractors		**2,941,920**		11,452,729
Deposits in escrow		**181,640**		322,666
Derivative assets		**351**		65,788
Concession financial receivable		**57,775**		193,199
Noncurrent assets held for sale (Note 3)		**60,645,205**		10,162,121
Others		**9,063,816**		2,443,710
Other current assets	₱	**133,633,139**	₱	67,890,147
Advances to contractors, deferred charges and other non-current assets	₱	**39,018,371**	₱	23,611,289
Financial assets at FVOCI		**5,216,038**		3,034,245
Deferred FCDA		**2,426,060**		2,620,320
Deposits - others		**2,945,654**		2,478,582
Creditable withholding taxes		**1,301,170**		500,700
Deferred input VAT		**1,039,642**		6,907,123
Concession financial receivable		**947,521**		853,335
Pension assets		**100,033**		82,005
Other noncurrent assets	₱	**52,994,491**	₱	40,087,599

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

Other noncurrent assets includes deferred charges (project-related costs already paid but not yet consumed in the actual construction activities which are costs as the related awarded project progresses); advances for projects (which include escrow and security deposits on land leases, advance rental payments, noncurrent prepaid management fees, commissions and advertising and promotions); leasehold rights (assigned rights of Solienda, Inc. to the contracts of lease of San Julio Realty, Inc. with San Carlos Sun Power, Inc., San Carlos Solar Energy, Inc. and San Carlos Biopower Inc.; and others which pertain to prepayment for expenses that is amortized for more than one year and long-term miscellaneous accounts.

The reclassification of AC Energy's GNPK assets impacted on the balances of Other Current Assets and Other Non-current Assets (see Note 3). Increase in the total Other Current Assets was also due to the completed sale of GMCP and GNPD by AC Energy and also AC Education assets (see Note 3). Increase in the total Other Noncurrent Assets also pertains to ALI's higher project advances and deferred tax and AYCFL's hold-out cash for a loan availed by AC.

9. Contract Balances

The contract balances of the Group consist of the following:

		September 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Contract Assets				
Current	₱	**4,639,919**	₱	52,209,458
Noncurrent		**600,472**		35,929,990
Total Contract Assets	₱	**5,240,391**	₱	88,139,448
Contract Liabilities				
Current	₱	**2,438**	₱	21,988,850
Noncurrent		**36,273**		8,630,235
Total Contract Liabilities	₱	**38,711**	₱	30,619,085

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

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

Contract liabilities consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on percentage of completion.

As of September 30, 2019, ALI adopted PIC's September 2019 response letter on PFRS 15 reclassifying Contract Assets into receivables (see Note 2, Note 6 and Section 2.8 [3] Variance Report).

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

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

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

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

10. Investments in Associates and Joint Ventures

Investments in associates and joint ventures are accounted for under the equity method of accounting. Major associates and joint ventures and the related percentages of economic ownership as of September 30, 2019 (unaudited) and December 31, 2018 (audited) are as follows:

	% of Economic Ownership		Carrying Amounts	
	September 2019 (Unaudited)	December 2018 (Audited)	**September 2019 (Unaudited)**	December 2018 (Audited)
Domestic:			(In Millions)	
Bank of the Philippine Islands (BPI)	**32.9**	32.9	**₱ 107,878**	₱ 101,691
Liontide Holdings Inc. (LHI)*	**78.1**	78.1	**48,469**	45,291
Globe Telecom, Inc. (Globe)*	**30.9**	30.9	**25,714**	23,215
OCLP Holdings, Inc. (OHI)	**21.0**	21.0	**8,460**	8,118
iPEOPLE, inc. (IPO)**	**33.5**	-	**5,079**	-
AA Thermal, Inc. (AATI)**	**40.0**	-	**5,403**	-
Light Rail Manila Holdings, Inc. (LRMHI)	**50.0**	50.0	**4,518**	3,417
Emerging City Holdings, Inc. (ECHI)*	**50.0**	50.0	**3,983**	3,911
ALI-ETON Property Development Corporation*	**50.0**	50.0	**3,254**	2,109
AKL Properties, Inc. (AKL)*	**50.0**	50.0	**2,274**	1,943
Berkshire Holdings, Inc. (BHI)*	**50.0**	50.0	**1,965**	1,933
Philippine Wind Holdings Corporation (PWHC)*	**42.9**	42.9	**1,526**	1,420
Cebu District Property Enterprise, Inc. (CDPEI)*	**35.0**	35.0	**1,448**	1,464
Bonifacio Land Corporation (BLC)	**10.0**	10.0	**1,444**	1,428
Asiacom Philippines, Inc. (Asiacom)*	**60.0**	60.0	**1,312**	1,308
BF Jade E-Services Philippines, Inc. (BF Jade/Zalora)	**44.7**	44.7	**796**	930
Alveo-Federal Land Communities, Inc.*	**50.0**	50.0	**845**	789
Rize-Ayalaland (Kingsway) GP Inc. (Rize-Ayalaland)	**49.0**	49.0	**565**	794
South Luzon Thermal Energy Corp. (SLTEC)**	**-**	35.0	**-**	3,042
GNPower Mariveles Coal Plant Ltd. Co (GMCP)**	**-**	20.4	**-**	2,781
GNPower Dinginin Ltd. Co. (GNP Dinginin)**	**-**	50.0	**-**	2,023
Generika Group**	**-**	50.0	**-**	474
Foreign:				
Star Energy Salak-Darajat B.V. (Salak-Darajat) (incorporated in Indonesia)	**19.8**	19.8	**10,468**	10,280
Eastern Water Resources Development and Management Public Company Limited (East Water) (incorporated in Thailand)	**20.0**	20.0	**9,026**	8,623
Thu Duc Water B.O.O. Corporation (TDW) (incorporated in Vietnam)	**49.0**	49.0	**3,155**	3,074
Kenh Dong Water Supply Joint Stock Company (KDW) (incorporated in Vietnam)	**47.4**	47.4	**2,680**	2,721
BIM Renewable / Energy Group	**30.0**	30.0	**2,685**	2,360
UPC Renewables Australia (incorporated in Australia)*	**50.0**	50.0	**1,363**	1,462
Saigon Water Infrastructure Joint Stock Company (Saigon Water) (incorporated in Vietnam)	**38.0**	38.0	**1,172**	1,172
New Energy Investments Corporation (incorporated in Vietnam)*	**50.0**	50.0	**361**	1,131
UPC Sidrap HK Ltd. (incorporated in Indonesia)*	**11.0**	11.0	**438**	334
UPC Renewables Asia III Ltd. (incorporated in Indonesia)*	**51.0**	51.0	**95**	103
Others	**Various**	Various	**504**	800
			₱ 256,880	₱ 240,141

** Joint ventures.*
*** Refer to Note 3.*

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

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

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

BPI Group

BPI's Consolidated Statements of Condition

	September 2019 (Unaudited)	December 2018 (Audited)
	(In Millions)	
Total Resources	₱ **2,125,781**	₱ 2,085,228
Total Liabilities	₱ **1,854,571**	₱ 1,833,690
Capital Funds Attributable to the Equity Holders of BPI	**267,855**	248,521
Capital Funds Attributable to the Noncontrolling Interest	**3,355**	3,017
Total Liabilities and Capital Funds	₱ **2,125,781**	₱ 2,085,228

BPI's Consolidated Statements of Income

	September 2019 (Unaudited)	September 2018 (Unaudited)
	(In Millions, except earnings per share)	
Interest Income	₱ **76,254**	₱ 57,338
Other Income	**22,337**	16,251
Total Revenues	**98,591**	73,589
Operating Expenses	**37,089**	32,084
Interest Expense	**27,589**	16,703
Impairment Losses	**4,575**	2,844
Provision for Income Tax	**7,123**	4,792
Total Expenses	**76,376**	56,423
Net Income for the Period	₱ **22,214**	₱ 17,165
Attributable to:		
Equity Holders of BPI	₱ **22,031**	17,010
Noncontrolling Interest	**184**	155
	₱ **22,214**	₱ 17,165
EPS	₱ **4.89**	₱ 3.78

a) On January 29, 2019, total cash dividends paid to common stockholders of record as January 8, 2019 amounted to ₱4.1 billion.

b) On May 15, 2019, the BPI Board declared a regular cash dividend of ₱0.90 per share on the total outstanding common shares of the capital stock of BPI, payable to all common stockholders of record as of May 29, 2019 and payable/distributable on June 19, 2019. Total dividends declared amounted to ₱4.1 billion.

c) The effective voting rights held by the Group in BPI as of September 30, 2019 and December 31, 2018 is equal to 49.8%.

d) The Parent Company's share in the net identifiable assets of BPI as of September 30, 2019 (unaudited) amounted to ₱89.3 billion. Dividends received from BPI for the period ended September 30, 2019 (unaudited) amounted to ₱1.3 billion. The fair market value of the Parent

Company's investment in BPI as of September 30, 2019 (unaudited) amounted to ₱137.9 billion.

LHI

a) As of September 30, 2019, the Company's direct ownership in LHI is equal to 78.1%, while LHI's direct ownership in BPI is equal to 20.1%. The fair value of BPI shares held by LHI amounted to ₱84.1 billion as of September 30, 2019 (unaudited). The Company and GIC Special Investments Pte. Ltd., the entity controlling Arran Investment Pte. Ltd., as joint venture partners, agreed to vote its BPI shares based on the common position reached jointly by them as shareholders.

Globe Group

Globe's Consolidated Statements of Financial Position

		September 2019 (Unaudited)		December 2018 (Audited)
		(In Millions)		
Current Assets	₱	**63,642**	₱	73,523
Noncurrent Assets		**237,042**		225,975
Total Assets	₱	**300,683**	₱	299,498
Current Liabilities	₱	**87,577**	₱	85,466
Noncurrent Liabilities		**131,855**		140,889
Equity Attributable to Equity Holders of the Parent		**81,226**		73,119
Equity Attributable to Noncontrolling Interest		**25**		24
Total Liabilities and Equity	₱	**300,683**	₱	299,498

Globe's Consolidated Statements of Income

		September 2019 (Unaudited)		September 2018 (Unaudited)
		(In Millions, except earnings per share)		
Revenues	₱	**123,418**	₱	111,603
Other Income (Losses)		**(726)**		(146)
Total Revenues		**122,692**		111,457
Costs and Expenses		**96,658**		89,712
Provision for Income Tax		**8,350**		6,951
Total Expenses		**105,008**		96,664
Net Income	₱	**17,684**	₱	14,793
Total Net Income Attributable to:				
Equity Holders of the Parent	₱	**17,683**		14,790
Noncontrolling Interest		**1**		3
Net Income	₱	**17,684**	₱	14,793
EPS:				
Basic	₱	**129.61**	₱	107.98
Diluted	₱	**128.97**	₱	107.59

a) On November 5, 2018, the BOD of Globe approved the proposed change in the dividend policy from 75% to 90% of prior year's core net income to 60% to 75% of prior year's core net income, to be applied to the 2019 dividend declaration. The amended policy will provide Globe with increased flexibility with respect to capital management. This adjustment will also ensure the sustainability of the operations in this investment-heavy environment, while protecting future dividends, once planned expansion yields beneficial results.

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

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

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

c) In compliance with the directive of the National Telecommunications Commission (NTC), Globe moved the implementation of 8-digit telephone numbers in Greater Metro Manila to October 6, 2019 to give local banks and credit card companies ample time to prepare. The NTC issued an advisory, ordering local telecommunication companies to move the migration date to October 6, 2019 from March 18, 2019. This was after the Bankers Association of the Philippines (BAP) and the Credit Card Association of the Philippines (CCAP) filed their respective petitions to postpone the migration to a later date to provide banks and credit card companies sufficient time to implement the necessary changes to their operations and systems.

d) Globe has entered into a tripartite agreement with ISOC Infrastructure Inc. and Malaysia-based tower giant edotco Group Sdn. Bhd. (edotco), becoming the first telco to support the common tower initiative of the Department of Information and Communications Technology (DICT). ISOC and edotco, who were the first tower companies to seek vendor accreditation with Globe, will build an initial 150 sites for the company.

e) On July 2, 2019, Globe, Aboitiz InfraCapital, and Frontier Tower Associates Philippines (FTAP) signed a memorandum of understanding (MOU) to improve connectivity in Cebu, Davao, and Olongapo. The MOU, in support of the common tower initiatives of the DICT, will explore the possibility of leasing build-to-suit sites, towers, and other passive telecommunications infrastructure and facilities.

f) On July 22, 2019, Globe sold its interest in AFPI to Globe Fintech Innovations for a total consideration of ₱240 million. Gain on disposal of investment in AFPI was recognized as part of other income.

g) On September 11, 2019, the BOD of Globe through its Executive Committee, approved the acquisition of 51% of Yondu Inc., equivalent to 22,950 shares for ₱501 million from Xurpass Inc. and the signing of the corresponding Deed of Sale of Shares and other related definitive agreements. The transaction is consistent with Globe’s strategic imperative of developing its ICT capabilities responsive to the changing needs of its customers. Yondu’s strong IT core competencies combined with Globe’s digital expertise will strengthen the value proposition of products and services catered to enterprise clients.

h) On September 24, 2019, Globe has signed a memorandum of understanding (MOU) with Transcend Towers Infrastructure (Philippines) Inc., a wholly owned subsidiary of American Tower Corporation, to build more towers in the Philippines. In support of the common tower initiative of the DICT, the agreement will have Transcend Towers build an initial 150 sites for Globe in North Luzon.

i) The effective voting rights held by the Group in Globe as of September 30, 2019 and December 31, 2018 is equal to 46.7%.

j) The Parent Company’s share in the net identifiable assets of Globe as of September 30, 2019 (unaudited) amounted to ₱25.1 billion. Dividends received from Globe for the period ended September 30, 2019 (unaudited) amounted to ₱2.8 billion. The fair value of the Company’s

investment in Globe as of September 30, 2019 (unaudited) amounted to ₱75.3 billion.

11. Intangible Assets and Deferred Tax Assets

		September 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Intangible assets	₱	**16,782,759**	₱	16,553,369
Deferred tax assets - net	₱	**15,289,616**	₱	15,546,040

Increase in intangible assets pertains to ALI's leasehold rights and intangibles arising from Generika companies and PHEN acquisitions specifically trademarks and provisional goodwill; offset partly by amortizations.

12. Investment Properties and Property, Plant and Equipment

		September 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Investment Properties	₱	**252,411,341**	₱	227,645,548
Property, plant and equipment - net	₱	**91,541,070**	₱	104,492,357

Investment Properties account comprises completed and under construction properties or re-development that are held to earn rentals and are not occupied by the companies in the Group. These properties include parcels of land, buildings and other real estate properties. The account includes Investment in Land, ₱98,752 million and ₱84,439 million as of September 30, 2019 (unaudited) and December 31, 2018 (audited), respectively; Investment in Building, ₱97,960 million and ₱87,791 million as of September 30, 2019 (unaudited) and December 31, 2018 (audited), respectively; and Construction-in-Progress, ₱55,699 million and ₱55,415 million as of September 30, 2019 (unaudited) and December 31, 2018 (audited), respectively; net of accumulated depreciation and amortization and impairment loss. Total additions to Property, Plant and Equipment and Investment Properties amounted to ₱14.2 billion and ₱27.1 billion, respectively, as of September 30, 2019. Meanwhile proceeds from Property, Plant and Equipment amounted to ₱905.9 million for the same period.

Increase in investment properties was attributable to ALI Group's expansion projects mainly on malls and office buildings. Decrease in Property, plant and equipment came from AC Energy's GNPK reclassification of accounts (see Note 3).

13. Service Concession Assets

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

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

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

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

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

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

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

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

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

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

On April 23, 2015, MWC served to the Republic of the Philippines (the "Republic"), through the Department of Finance, its Notice of Claim demanding that the Republic indemnify MWC in

accordance with the indemnity clauses in the Republic's Letter Undertaking dated July 31, 1997 and Letter Undertaking dated October 19, 2009.

At present, the arbitration case remains pending.

14. Accounts Payable and Accrued Expenses

This account consists of the following:

		September 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Accounts payable	₱	**100,162,493**	₱	120,312,117
Accrued expenses				
Project costs		**17,358,446**		18,641,346
Personnel costs		**9,640,146**		9,078,336
Professional and management fees		**4,959,556**		5,422,587
Rental and utilities		**4,411,092**		3,741,150
Repairs and maintenance		**2,491,655**		3,093,319
Advertising and promotions		**1,589,213**		1,416,910
Various operating expenses		**4,566,339**		3,479,680
Taxes payable		**23,016,775**		20,688,048
Liability for purchased land		**8,521,164**		2,544,623
Retentions payable		**6,688,846**		6,762,286
Interest payable		**3,606,579**		4,137,612
Related parties (Note 22)		**1,314,317**		1,072,551
Dividends payable		**698,064**		4,131,317
DRP Obligation		**274,000**		236,362
	₱	**189,298,685**	₱	204,758,244

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

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

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

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

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

Development Rights Payment (DRP) obligation pertains to the current portion of the liability arising from the assignment agreement between ALI and MRTDC of the latter's development rights. In consideration of the lease, ALI will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from ALI's commercial center business. Of the 5% variable amount due, 2.42% shall be directly paid by ALI to the minority shareholders of Monumento Rail Transit Corporation, 28.47% shall be paid directly to Metro Global Holdings Corporation and the remaining 69.11% shall be applied against receivables.

15. Other Current and Noncurrent Liabilities

	September 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Other current liabilities	₱ **57,562,841**	₱ 11,129,234
Other noncurrent liabilities	₱ **54,422,305**	₱ 45,213,929

Other current liabilities include the following:

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

Other noncurrent liabilities include the following:

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

The increase in Other Current Liabilities is mainly due to the reclassification of AC Energy's GNPK accounts amounting to ₱41,7 billion (see Note 2). While the increase in Other noncurrent liabilities was primarily due to ALI's higher customer deposits and retentions payable. Also, the increase in other current and other non-current liabilities accounts were attributable to ALI's reclassification of its Contract Liabilities to (see Notes 2, Note 9 and Section 2.8 [3] Variance report).

16. Short-term and Long-term Debt

These accounts consist of the following:

		September 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Short-term debt - Subsidiaries:				
Philippine peso with various interest rates	₱	**26,619,185**	₱	18,120,547
Foreign currency with various interest rates		**7,471,874**		21,397,698
	₱	**34,091,059**	₱	39,518,245
Long-term debt:				
The Parent Company:				
Bank loans with various interest rates	₱	**26,067,338**	₱	27,405,387
Bonds		**39,699,600**		39,762,594
		65,766,938		67,167,981
Subsidiaries:				
Loans from banks & other institutions:				
Philippine Peso with various interest rates		**103,574,631**		76,558,056
Foreign currency with various interest rates		**40,585,051**		68,364,538
Bonds		**103,816,051**		105,368,774
Green bonds		**21,132,221**		-
Fixed for life bonds		**20,640,703**		20,918,114
Exchangeable bonds		**-**		15,285,934
Fixed Rate Corporate Notes (FXCNs)		**11,904,969**		11,986,615
Short-dated notes		**-**		7,093,375
		301,653,626		305,575,406
		367,420,564		372,743,387
Less current portion		**30,336,085**		48,480,559
Non-current portion	₱	**337,084,479**	₱	324,262,828

As of September 30, 2019 (unaudited), total proceeds from availment of short-term and long-term debt amounted to ₱92.4 billion which consists mainly of proceeds from bonds and loans of Ayala (₱3.5 billion), ALI (₱37.4 billion), MWC (₱11.8 billion), AC Energy (₱21.1 billion), AYCFL (₱16.9 billion) and AC Industrials (₱1.0 billion), while payments of short-term and long-term debt amounted to ₱65.1 billion which pertains to loan payment of AC (₱5.0 billion), ALI (₱23.5 billion), MWC (₱13.6 billion), IMI (₱3.4 billion) and AYCFL (₱19.2 billion).

The Group has short-term and long-term debt payable to BPI amounting to ₱28.4 billion and ₱32.3 billion as of September 30, 2019 (unaudited) and December 31, 2018 (audited), respectively (see Note 22). Interest expense incurred from these debts amounted to ₱955.3 million and ₱538.7 million for the period ending September 30, 2019 and 2018 (both unaudited), respectively (see Note 22).

Loans availed during September 2019 have varying interest rates and maturity dates. Proceeds of loans were used for operating requirements, capital expenditures and certain investment acquisitions (see Note 3).

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

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

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

On May 6, 2019, ALI issued and listed on the PDEx a ₱8.0 billion bond due May 2026 with a coupon of 6.369% p.a. The Bond was assigned an issue credit rating of PRS AAA with a Stable Outlook, by the Philippine Rating Services Corp., the highest grade indicating minimal credit risk. The issuance represents the first tranche of the ALI's new ₱50.0 billion, three-year debt securities program, approved by the Securities and Exchange Commission (SEC) in April 2019.

On September 30, 2019, ALI issued and listed on the PDEx a ₱3.0 billion bond due September 2024 with a coupon of 4.758% p.a. The Bond was assigned an issue credit rating of PRS AAA with a Stable Outlook, by the Philippine Rating Services Corp., the highest grade indicating minimal credit risk. The issuance represents the second tranche of ALI's new ₱50.0 billion, three-year debt securities program, approved by the SEC in April 2019.

In March and April 2019, ALI executed and drew in two tranches a ₱13.0 billion long-term facility. The loan which was drawn at ₱6.5 billion each, carries a fixed interest rate of 6.2720% and 6.3070%, respectively.

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

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

On June 28, 2019, Laguna Water signed a ten (10)-year term loan facility amounting to ₱2.5 billion with the Bank of the Philippine Islands. The loan will be used to partially finance Laguna Water's capital expenditure program.

On August 27, 2019, MWC signed a EUR250 million, seven (7)-year term-loan facility with Bank of China (Hong Kong) Limited and Bank of China Limited (Manila Branch). The loan will be used to finance capital investment program of MWC in the East Zone.

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

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

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

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

Year Issued	Term	Interest Rate	Principal Amount (In Thousands)	Carrying Value (In Thousands) September 2019 (Unaudited)	December 2018 (Audited)	Features
2011	10 years	6.800%	₱ 9,903,400	₱ **9,882,756**	₱ 9,970,466	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	**9,951,030**	9,946,221	Callable from the 10th anniversary issue until every year thereafter until the 14th anniversary issue date
2016	7 years	3.920%	10,000,000	**9,938,997**	9,927,904	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	**9,926,817**	9,918,003	Callable from the 6.5th anniversary issue until every year thereafter
			₱ 39,903,400	₱ **39,699,600**	₱ 39,762,594	

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

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

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

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

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

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

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

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

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

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

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

Loan covenants and others

The loan agreements on long-term debt of the Parent Company and certain subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as of September 30, 2019 and December 31, 2018. The Parent Company aims to maintain for its debt to equity ratio not to exceed 3:1 in compliance with loan covenants of AYCFL.

17. Equity

Details of the Company's paid-up capital:

	Preferred Shares - A	Preferred Shares - B	Preferred Shares - Voting	Common Shares	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital
				(In Thousands)				
At January 1, 2019 (Audited)	**₱ 1,200,000**	**₱ 5,800,000**	**₱ 200,000**	**₱ 31,340,717**	**₱ 190,658**	**₱ 46,156,018**	**₱ (1,525,718)**	**₱ 83,361,675**
Exercise/Cancellation/Subscription of ESOP/ESOWN	**-**	**-**	**-**	**414**	**25,794**	**515,466**	**(473,017)**	**68,657**
Collection of subscription receivables	**-**	**-**	**-**	**-**	**-**	**-**	**274,677**	**274,677**
At September 30, 2019 (Unaudited)	**₱ 1,200,000**	**₱ 5,800,000**	**₱ 200,000**	**₱ 31,341,131**	**₱ 216,452**	**₱ 46,671,484**	**₱ (1,724,058)**	**₱ 83,705,009**
At January 1, 2018 (Audited)	₱ 1,200,000	₱ 5,800,000	₱ 200,000	₱ 30,899,877	₱ 164,725	₱ 37,929,927	₱ (1,193,355)	₱ 75,001,174
Issuance of new shares				440,500	-	7,615,757	-	8,056,257
Exercise/Cancellation/Subscription of ESOP/ESOWN	-	-	-	340	25,933	610,334	(500,942)	135,665
Collection of subscription receivables	-	-	-	-	-	-	168,579	168,579
At December 31, 2018 (Audited)	₱ 1,200,000	₱ 5,800,000	₱ 200,000	₱ 31,340,717	₱ 190,658	₱ 46,156,018	₱ (1,525,718)	₱ 83,361,675

Common shares

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

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

Preferred shares – Class B

The Parent Company's BOD, at its regular meeting on September 13, 2019, ratified the resolutions of the Finance Committee approving the following:

a) The Parent Company's redemption of the Class "B" Series 2 Preferred Shares (ACPB2 shares). The redemption will be effective November 5, 2019 (the 5th year anniversary from the issue date of the shares) by payment in cash of the redemption price equal to the issue price of the shares plus accrued and unpaid dividends up until November 5, 2019 based on the dividend rate of 5.575% per annum.
b) The Parent Company's reissuance of Preferred class B shares (which have been redeemed to become treasury shares) for at least ₱10.0 billion with an oversubscription option of ₱5.0 billion.

Redemption of Preferred Shares
On September 25, 2019, the Parent Company reminded the holders of ACPB2 shares of the exercise of the call option on November 5, 2019. The registrar for the ACPB2 shares prepared a certified Redemption Entitlement Report and delivered the same to the Parent Company and to its paying agent no later than 9:00 A.M. of October 23, 2019 or eight (8) banking days immediately prior to the redemption date. In view of the foregoing, the record date for the full redemption of the ACPB2 shares was set for October 22, 2019, and the trading suspension was set starting October 17, 2019 until the re-issuance of the ACPB2 shares.

Below are the guidelines for the redemption of ACPB2 shares on November 5, 2019:

1. The relevant dates for the final ACPB2 dividend and redemption payment were as follows:

	Final Dividend	Redemption (Equity)
Ex-date	October 4, 2019	October 17, 2019 (start of trading suspension)
Record date	October 9, 2019	October 22, 2019
Payment date	November 5, 2019	November 5, 2019

2. Those entitled to the ACPB2 redemption payment were as follows:
    a) Shareholders who acquired the shares prior to the dividend ex-date, October 4, 2019, and have not disposed of it until the reckoning of the trading suspension will receive the full redemption amount equal to the issue price plus the accrued and unpaid dividend for the period August 5, 2019 to November 5, 2019.
    b) Investors who purchased ACPB2 shares on October 4, 2019 and onwards and have remained as registered shareholders until the reckoning of the trading suspension would be paid a redemption amount equal to the issue price but are not entitled to receive the final dividend.

3. The redemption amount comprising of the final dividend and/or issue price would be paid in a manner similar to the quarterly dividend payments (see Note 24).

Reissuance of Preferred Shares
On November 8, 2019, a Certificate of Permit to Offer Securities for Sale was issued by the Markets and Securities Regulation Department of the SEC in favor of the Parent Company authorizing the sale and distribution of above mentioned preferred shares at a dividend rate of 4.8214% per annum (see Note 24).

Preferred shares – Voting

On May 21, 2019, further to the disclosures dated May 20, 2010, May 28, 2013, and May 23, 2016 relating to the Parent Company's 200 million voting preferred shares (the "Shares"), the dividend rate of the Shares has been re-priced from 3.6950% per annum to 5.7730% per annum, which is equal to the 3-year PHP BVAL reference rate as of May 20, 2019 and will be applicable until May 20, 2022, the next re-pricing date. The re-pricing was approved by the BOD on July 16, 2019.

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

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

Employee Stock Ownership Plan (the “Plan”)

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

On July 4, 2019, 5,069 common shares were exercised under the Parent Company’s Employee Stock Option Plan. The number of issued and outstanding common shares are 631,151,659 and 627,346,015, respectively, as of July 4, 2019.

Retained Earnings

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	(In Thousands)	
Consolidated retained earnings	₱ **240,152,366**	₱ 196,914,989
Accumulated equity in net earnings of subsidiaries, associates and joint ventures	**(185,475,644)**	(160,580,138)
Treasury shares	**(5,492,319)**	(2,300,000)
Retained Earnings available for dividends	₱ **49,184,403**	₱ 34,034,851

On July 16, 2019, the BOD, at its regular meeting, approved the declaration of regular cash dividend of ₱4.15 per common share. The record date is July 30, 2019, and payment date is August 15, 2019. This cash dividend is for the first semester ending June 30, 2019.

The details on the dividends declared by the Parent Company for the period ended September 30, 2019 and 2018 are shown below:

	September 2019 (Unaudited)	September 2018 (Unaudited)
	(In Thousands, except dividends per share)	
Dividends to common shares:		
Cash dividends declared during the year	₱ **2,603,486**	₱ 2,151,488
Cash dividends per share	**4.15**	3.46

18. Earnings Per Share

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

	September 2019 (Unaudited)	September 2018 (Unaudited)
	(In Thousands, except EPS figures)	
Net income attributable to the owners of the Parent Company	₱ **46,162,417**	₱ 23,863,767
Less dividends on preferred stock	**(965,609)**	(965,609)
	45,196,808	22,898,158
Less profit impact of assumed conversions of potential ordinary shares of investees	**(40,448)**	(266,820)
	₱ **45,156,360**	₱ 22,631,338
Weighted average number of common shares	**628,987**	624,149
Dilutive shares arising from stock options	**1,443**	2,229
Adjusted weighted average number of common shares for diluted EPS	**630,430**	626,378
Basic EPS	₱ **71.86**	₱ 36.69
Diluted EPS	₱ **71.63**	₱ 36.13

19. Revenue

This account consists of:

		September 2019 (Unaudited)		September 2018 (Unaudited)
		(In Thousands)		
Revenue from contracts with customers				
Real estate	₱	**87,808,065**	₱	91,760,983
Manufacturing services		**48,817,423**		51,921,663
Water and sewer services		**16,141,618**		14,938,121
Others		**27,326,412**		20,588,737
		180,093,518		179,209,504
Rental income		**26,457,219**		22,467,096
Sale of goods and rendering services		**206,550,737**		201,676,600
Share in net profits of associates and joint ventures		**17,357,916**		15,551,656
Interest income		**8,887,897**		5,821,794
Dividend income		**84,877**		427,070
Total	₱	**232,881,427**	₱	223,477,120

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

ALI Group
Revenue from contracts with customers of ALI Group consists of:

		September 2019 (Unaudited)		September 2018 (Unaudited)
		(In Thousands)		
Revenue from contracts with customers				
Residential development	₱	**79,144,946**	₱	83,034,077
Hotels and resorts		**5,400,039**		5,677,072
Construction		**2,540,522**		2,053,615
Others		**722,558**		996,219
Total Revenue	₱	**87,808,065**	₱	91,760,983

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

		September 2019 (Unaudited)		September 2018 (Unaudited)
		(In Thousands)		
Type of Product				
Condominium	₱	**17,949,428**	₱	23,615,007
Coremid		**23,400,747**		22,481,641
Middle income housing		**26,942,204**		23,252,306
Lot only		**10,852,567**		13,685,123
	₱	**79,144,946**	₱	83,034,077

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

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

		September 2019 (Unaudited)		September 2018 (Unaudited)
		(In Thousands)		
Automotive	₱	**23,577,620**	₱	21,290,235
Industrial		**11,337,610**		13,726,197
Consumer		**5,132,014**		6,635,891
Telecommunication		**3,695,848**		5,200,851
Aerospace/defense		**1,994,003**		1,965,236
Medical		**594,964**		523,026
Multiple market/others		**2,485,364**		2,580,227
	₱	**48,817,423**	₱	51,921,663

Translated using the weighted average exchange rate for the period (US$1:₱51.96 in September 2019, $1:₱51.33 in September 2018).

MWC Group

Revenue from contracts with customers of MWC Group consists of:

September 2019 (Unaudited)		**Manila Concession and Head Office**		**Domestic Subsidiaries**		**Foreign Subsidiaries**	**Total**
				(In Thousands)			
Revenue from contracts with customers							
Water	₱	**10,054,405**	₱	**2,150,922**	₱	**-**	**₱12,205,327**
Sewer		**191,990**		**231,929**		**-**	**423,919**
Environmental charges		**2,122,521**		**113,093**		**-**	**2,235,614**
Other operating income		**142,373**		**1,132,061**		**2,324**	**1,276,758**
		12,511,289		**3,628,005**		**2,324**	**16,141,618**
Timing of revenue recognition							
Revenue recognized over time		**12,451,902**		**3,423,657**		**-**	**15,875,559**
Revenue recognized at a point in time		**59,387**		**204,348**		**2,324**	**266,059**
	₱	**12,511,289**	₱	**3,628,005**	₱	**2,324**	**₱16,141,618**

September 2018 (Unaudited)		Manila Concession and Head Office		Domestic Subsidiaries		Foreign Subsidiaries	Total
				(In Thousands)			
Revenue from contracts with customers							
Water	₱	9,636,496	₱	1,744,820	₱	-	₱11,381,316
Sewer		181,485		217,690		-	399,175
Environmental charges		1,987,703		2,904		-	1,990,607
Other operating income		336,221		817,387		13,415	1,167,023
		12,141,905		2,782,801		13,415	14,938,121
Timing of revenue recognition							
Revenue recognized over time		11,956,535		2,416,347		-	14,372,882
Revenue recognized at a point in time		185,370		366,454		13,415	565,239
	₱	12,141,905	₱	2,782,801	₱	13,415	₱14,938,121

20. Segment Information

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

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

- Parent Company - represents operations of the Parent Company including its financing entities such as ACIFL, AYCFL, PFIL and MHI.

- Real estate and hotels - planning and development of large-scale fully integrated mixed-used communities that become thriving economic centers in their respective regions. This include development and sale of residential, leisure and commercial lots and the development and leasing of retail and office space and land in these communities; construction and sale of residential condominiums and office buildings; development of industrial and business parks; development and sale of high-end, upper middle-income and affordable and economic housing; strategic land bank management; hotel, cinema and theater operations; and construction and property management.

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

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

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

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

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

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

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

For the years ended September 30, 2019, September 30, 2018 and December 31, 2018, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

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

The various business segments in the Group is not affected by seasonality in operations.

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

September 2019 (Unaudited)
(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Infrastructure	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Revenue										
Sales to external customers	₱ 208	₱ 113,224	₱ -	₱ -	₱ 15,073	₱ 48,741	₱ 7,933	₱ 21,373	₱ -	₱ 206,552
Intersegment	113	138	-	-	400	76	383	(50)	(1,060)	-
Share of profit of associates and joint ventures	-	696	10,383	5,391	552	-	538	(202)	-	17,358
Interest income	575	6,868	-	-	372	39	904	136	(6)	8,888
Dividend income	59	-	-	-	-	-	26	-	-	85
	955	120,926	10,383	5,391	16,397	48,856	9,784	21,257	(1,066)	232,883
Costs and expenses										
Costs of sales and services	-	69,951	-	-	6,197	44,712	7,859	18,468	(176)	147,011
General and administrative	3,477	6,182	-	-	3,445	3,864	3,718	5,114	(955)	24,845
	3,477	76,133	-	-	9,642	48,576	11,577	23,582	(1,131)	171,856
Other income (charges)										
Other income	1,276	744	-	-	7,430	206	28,050	1,244	(290)	38,660
Interest and other financing charges	(4,251)	(9,703)	-	-	(1,616)	(530)	(1,483)	(392)	14	(17,961)
Other charges	-	-	-	-	(6,703)	-	-	-	-	(6,703)
	(2,975)	(8,959)	-	-	(889)	(324)	26,567	852	(276)	13,996
Net income (loss) before income tax	(5,497)	35,834	10,383	5,391	5,866	(44)	24,774	(1,473)	(211)	75,023
Provision for (benefit from) income tax	85	9,537	-	-	1,711	(2)	42	94	(62)	11,405
Net income (loss)	₱ (5,582)	₱ 26,297	₱ 10,383	₱ 5,391	₱ 4,155	₱ (42)	₱ 24,732	₱ (1,567)	₱ (149)	₱ 63,618
Other information										
Segment assets	₱ 52,170	₱ 645,621	₱ -	₱ -	₱ 123,701	₱ 54,200	₱ 135,255	₱ 41,534	₱ (30,113)	₱ 1,022,368
Investments in associates and joint ventures	184,650	25,109	-	-	16,433	-	23,376	7,312	-	256,880
Deferred tax assets	80	11,939	-	-	1,240	316	401	825	489	15,290
Total Assets	₱ 236,900	₱ 682,669	₱ -	₱ -	₱ 141,374	₱ 54,516	₱ 159,032	₱ 49,671	₱ (29,624)	₱ 1,294,538
Segment liabilities	₱ 118,993	₱ 437,952	₱ -	₱ -	₱ 70,144	₱ 31,095	₱ 93,811	₱ 17,264	₱ (30,606)	₱ 738,653
Deferred tax liabilities	80	5,174	-	-	3,876	228	507	502	(46)	10,321
Total Liabilities	₱ 119,073	₱ 443,126	₱ -	₱ -	₱ 74,020	₱ 31,323	₱ 94,318	₱ 17,766	₱ (30,652)	₱ 748,974
Depreciation & amortization	₱ 203	₱ 6,862	₱ -	₱ -	₱ 2,657	₱ 1,913	₱ 423	₱ 748	₱ 144	₱ 12,950
Non-cash expenses other than depreciation & amortization	₱ 500	₱ 9	₱ -	₱ -	₱ 143	₱ 14	₱ -	₱ 320	₱ 17	₱ 1,003
Segment additions to property, plant and equipment and investment properties	₱ 91	₱ 39,876	₱ -	₱ -	₱ 459	₱ 1,727	₱ 7,364	₱ 1,082	₱ (9,354)	₱ 41,245
Cash flows provided by (used in):										
Operating activities	₱ 123	₱ (8,732)	₱ -	₱ -	₱ 1,125	₱ 2,103	₱ (6,102)	₱ -	₱ 32,897	₱ 21,414
Investing activities	₱ 17,321	₱ (17,776)	₱ -	₱ -	₱ 394	₱ (2,409)	₱ 2,940	₱ (7,818)	₱ (16,954)	₱ (24,302)
Financing activities	₱ (11,503)	₱ 22,307	₱ -	₱ -	₱ (4,996)	₱ (303)	₱ 13,478	₱ 8,979	₱ (15,943)	₱ 12,019

September 2018 (Unaudited)
(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Infrastructure	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Revenue										
Sales to external customers	₱ 179	₱ 113,147	₱ -	₱ -	₱ 13,572	₱ 51,767	₱ 2,702	₱ 20,309	₱ -	₱ 201,676
Intersegment	127	(59)	-	-	199	155	558	238	(1,218)	-
Share of profit of associates and joint ventures	-	599	8,157	4,615	514	-	1,889	(222)	-	15,552
Interest income	345	4,989	-	-	354	37	72	43	(18)	5,822
Dividend income	58	-	-	-	-	-	342	27	-	427
	709	118,676	8,157	4,615	14,639	51,959	5,563	20,395	(1,236)	223,477
Costs and expenses										
Costs of sales and services	-	73,120	-	-	5,786	46,428	2,637	17,684	(894)	144,761
General and administrative	2,435	5,951	-	-	2,631	4,141	911	4,501	200	20,770
	2,435	79,071	-	-	8,417	50,569	3,548	22,185	(694)	165,531
Other income (charges)										
Other income	333	996	-	-	7,854	1,655	2,043	1,681	411	14,973
Interest and other financing charges	(3,786)	(7,800)	-	-	(1,286)	(450)	(271)	(192)	17	(13,768)
Other charges	-	-	-	-	(6,767)	-	-	-	-	(6,767)
	(3,453)	(6,804)	-	-	(199)	1,205	1,772	1,489	428	(5,562)
Net income (loss) before income tax	(5,179)	32,801	8,157	4,615	6,023	2,595	3,787	(301)	(114)	52,384
Provision for (benefit from) income tax	27	8,815	-	-	1,381	393	862	128	(24)	11,582
Net income (loss)	₱ (5,206)	₱ 23,986	₱ 8,157	₱ 4,615	₱ 4,642	₱ 2,202	₱ 2,925	₱ (429)	₱ (90)	₱ 40,802
Depreciation & amortization	₱ 234	₱ 5,502	₱ -	₱ -	₱ 2,487	₱ 1,427	₱ 223	₱ 495	₱ (6)	₱ 10,362
Non-cash expenses other than depreciation & amortization	₱ -	₱ 5	₱ -	₱ -	₱ 118	₱ 37	₱ -	₱ 58	₱ 512	₱ 730
Segment additions to property, plant and equipment and investment properties	₱ 146	₱ 34,747	₱ -	₱ -	₱ 596	₱ 2,537	₱ 3,393	₱ 1,581	₱ (20,405)	₱ 22,595
Cash flows provided by (used in):										
Operating activities	₱ 1,953	₱ 11,707	₱ -	₱ -	₱ 3,372	₱ (1,374)	₱ 228	₱ (1,311)	₱ 7,252	₱ 21,827
Investing activities	₱ (31,475)	₱ (24,278)	₱ -	₱ -	₱ (8,537)	₱ (2,694)	₱ (9,501)	₱ (5,362)	₱ 14,006	₱ (67,841)
Financing activities	₱ 26,187	₱ 14,249	₱ -	₱ -	₱ 7,817	₱ 4,996	₱ 16,467	₱ 5,532	₱ (20,839)	₱ 54,409

December 2018 (Audited)
(In Millions)

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

21. Fair Value Measurement and Derivative Instruments

Fair Value of Financial and Nonfinancial Instruments

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the following financial instruments as of September 30, 2019 (unaudited) and December 31, 2018 (audited):

	September 2019 (Unaudited)		December 2018 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)			
FINANCIAL ASSETS AT FVTPL				
Held for trading	₱ 10,207,917	₱ 10,207,917	₱ 9,236,804	₱ 9,236,804
Derivative assets				
Embedded	4	4	65,324	65,324
Freestanding	297	297	464	464
Total financial assets at FVTPL	10,208,218	10,208,218	9,302,592	9,302,592
AT AMORTIZED COST				
Accounts and notes receivables				
Trade receivables				
Real estate	96,590,000	99,025,000	54,390,916	54,548,005
Nontrade receivables				
Receivable from officers and employees	1,415,759	1,352,069	1,497,998	1,488,987
Concession financial receivable	1,005,296	1,077,426	1,517,892	2,358,369
Total at amortized cost	99,011,055	101,454,495	57,406,806	58,395,361
FINANCIAL ASSETS AT FVOCI				
Quoted equity investments	3,067,250	3,067,250	2,058,460	2,058,460
Unquoted equity investments	2,148,788	2,148,788	975,785	975,785
Total financial assets at FVOCI	5,216,038	5,216,038	3,034,245	3,034,245
OTHER FINANCIAL ASSETS				
Deposits	3,127,295	3,127,295	2,801,248	2,801,248
Total other financial assets	3,127,295	3,127,295	2,801,248	2,801,248
Total financial assets	₱ 117,562,606	₱ 120,006,046	₱ 72,544,891	₱ 73,533,446
FINANCIAL LIABILITIES AT FVTPL				
Financial liabilities on put option	₱ 1,115,433	₱ 1,115,433	₱ 1,371,226	₱ 1,371,226
Derivative liabilities				
Embedded	295,793	295,793	-	-
Other noncurrent liabilities -				
Contingent consideration	-	-	195,920	195,920
Total financial liabilities at FVPL	1,411,226	1,411,226	1,567,146	1,567,146
OTHER FINANCIAL LIABILITIES				
Long-term debt	367,420,563	358,552,814	372,743,387	360,945,172
Service concession obligation	8,595,473	9,329,387	7,839,013	8,693,080
Deposits and other noncurrent liabilities	45,566,777	45,517,287	35,141,427	31,241,007
Total other financial liabilities	421,582,813	413,399,488	415,723,827	400,879,259
Total financial liabilities	₱ 422,994,039	₱ 414,810,714	₱ 417,290,973	₱ 402,446,405

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

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

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

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

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

Derivative asset and liability – The fair value is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for risks existing at the end of each reporting period.

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

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

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

Financial liabilities on put options – These pertain to the liabilities of IMI Group arising from the written put options over the non-controlling interest of VIA and STI. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany and UK. The risk-free rate used is -0.56% for VIA and 2.58% for STI. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put option will occur.

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

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

Other financial liabilities - noncurrent – The fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. This also include the contingent consideration related to the acquisition of STI determined by discounting the probability weighted payout as estimated by management. The payout is estimated using the projected revenue growth rate of STI. The discount rate is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

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

The following table shows the fair value hierarchy of the Group's assets and liabilities as at September 30, 2019 (unaudited) and December 31, 2018 (audited) (amounts in thousands):

September 30, 2019 (Unaudited)

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
		(In Thousands)		
Recurring financial assets measured at fair value				
Financial assets at FVPL	₱ -	₱ 85,724	₱ 10,122,193	₱ 10,207,917
Derivative assets				
Embedded	-	-	4	4
Financial assets at FVOCI				
Quoted equity investments	2,580,917	486,333	-	3,067,250
Unquoted equity investments	-	-	2,148,788	2,148,788
	₱ 2,580,917	₱ 572,057	₱ 12,271,282	₱ 15,424,256
Recurring financial assets for which fair values are disclosed:				
Trade and nontrade receivables	₱ -	₱ -	₱ 100,377,069	₱ 100,377,069
Concession financial receivable	-	-	1,077,426	1,077,426
Deposits	-	-	3,127,295	3,127,295
	₱ -	₱ -	₱ 104,581,790	₱ 104,581,790
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	₱ -	₱ -	₱ 1,115,433	₱ 1,115,433
Contingent consideration (noncurrent liability)	-	-	-	-
Derivative liabilities				
Embedded	-	295,793	-	295,793
	₱ -	₱ 295,793	₱ 1,115,433	₱ 1,411,226
Recurring financial liabilities for which fair values are disclosed:				
Long-term debt	₱ -	₱ -	₱ 358,552,814	₱ 358,552,814
Short term debt	-	-	-	-
Service concession obligation	-	-	9,329,387	9,329,387
Deposits and Other noncurrent liabilities	-	-	45,517,287	45,517,287
	₱ -	₱ -	₱ 413,399,488	₱ 413,399,488
Nonfinancial assets for which fair values are disclosed:				
Investments in associates and joint ventures*	₱ 297,347,061	₱ -	₱ -	₱ 297,347,061
Investment properties	-	-	449,106,669	449,106,669
	₱ 297,347,061	₱ -	₱ 449,106,669	₱ 746,453,730

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

December 31, 2018 (Audited)

	Quoted Prices in Active Markets (Level 1)		Significant Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total
				(In Thousands)			
Recurring financial assets measured at fair value							
Financial assets at FVTPL	₱	-	₱ 85,724		₱ 9,151,080		₱ 9,236,804
Derivative assets							
Embedded		-	-		65,324		65,324
Freestanding		-	-		464		464
Total Financial assets at FVTPL		-	85,724		9,216,868		9,302,592
Financial assets at FVOCI							
Quoted equity investments		2,058,460	-		-		2,058,460
Unquoted equity investments		-	-		975,785		975,785
	₱	2,058,460	₱ 85,724		₱ 10,192,653		₱ 12,336,837
Recurring financial assets for which fair values are disclosed:							
Trade and nontrade receivables	₱	-	₱ -		₱ 56,036,992		₱ 56,036,992
Concession financial receivable		-	-		2,358,369		2,358,369
Deposits		-	-		2,801,248		2,801,248
	₱	-	₱ -		₱ 61,196,609		₱ 61,196,609
Recurring financial liabilities measured at fair value							
Financial liabilities on put option	₱	-	₱ -		₱ 1,371,226		₱ 1,371,226
Contingent consideration (noncurrent liability)		-	-		195,920		195,920
	₱	-	₱ -		₱ 1,567,146		₱ 1,567,146
Recurring financial liabilities for which fair values are disclosed:							
Long-term debt	₱	-	₱ -		₱ 360,945,172		₱ 360,945,172
Service concession obligation		-	-		8,693,080		8,693,080
Deposits and Other noncurrent liabilities		-	-		31,241,007		31,241,007
	₱	-	₱ -		₱ 400,879,259		₱ 400,879,259
Nonfinancial assets for which fair values are disclosed:							
Investments in associates and joint ventures*	₱	320,407,782	₱ -		₱ -		₱ 320,407,782
Investment properties		-	-		338,357,200		338,357,200
	₱	320,407,782	₱ -		₱ 338,357,200		₱ 658,764,982

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

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

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

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

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	0%-2% (1%)	1% increase in growth rate would result in an decrease in fair value by $1.32 million. Decrease in growth rate by 1% would result in a fair value increase of $1.06 million.
		Discount rate	8%-10% (9%)	1% increase in discount rate would result in a decrease in fair value by $1.51 million. Decrease in discount rate by 1% would result in a fair value increase of $1.87 million.
		Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by $1.04 million. Decrease in the probability to 1% would result in a decrease in fair value by $0.68 million.
Contingent consideration	Discounted, probability-weighted payout	Growth rate	19%-21% (20%)	1% increase in discount rate would result in a decrease in fair value by $1.87 million. Decrease in discount rate by 1% would result in a fair value increase of $0.01 million.
		Probability of pay-out	£0 to £2.9 million ($0 to $3.7 million)	GBP0 to GBP2.9 million ($0 to $3.7 million)

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

A reconciliation of the beginning and closing balances of Level 3 financial assets and liabilities at FVTPL are summarized below (amounts in thousands):

Financial Assets at FVTPL	**September 2019 (Unaudited)**	December 2018 (Audited)
	(In Thousands)	
Balance at beginning of year	**₱ 9,151,080**	₱ 5,980,607
Adoption of PFRS 9	**-**	1,087,593
Additions	**1,069,210**	4,939,944
Disposals/ redemptions/ return of capital	**-**	(3,253,958)
Recognized in consolidated statement of income	**260,842**	996,170
Exchange difference	**(358,939)**	(599,276)
Balance at end of period	**₱ 10,122,193**	₱ 9,151,080

Financial Liabilities at FVTPL	**September 2019 (Unaudited)**	December 2018 (Audited)
	(In Thousands)	
Balance at beginning of year	**₱ 1,567,146**	₱ 2,341,091
Reversal	**-**	(1,120,166)
Recognized in statement of income	**(383,510)**	283,022
Exchange difference	**(68,202)**	63,185
Balance at end of period	**₱ 1,115,433**	₱ 1,567,146

Derivatives

		September 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Derivative Assets				
Prepayment option of AC Energy	₱	**4**	₱	65,324
Currency forward of AIVPL		**297**		464
	₱	**301**	₱	65,788
Derivative Liabilities				
Forward contract of AC Energy and AC	₱	**295,793**	₱	15,700
	₱	**295,793**	₱	15,700

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

Derivative Assets

		September 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Balance at beginning of year	₱	**65,788**	₱	85,347
Fair value of currency forwards		**(167)**		-
Net changes in fair value of derivatives		**-**		45,499
		65,621		130,846
Fair value of settled instruments / Reclassification to Assets held for sale		**(65,320)**		(65,058)
Balance at end of period	₱	**301**	₱	65,788

Derivative Liabilities

		September 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Balance at beginning of year	₱	**15,700**	₱	7,328
Net changes in fair value of derivatives		**280,093**		15,700
		295,793		23,028
Fair value of settled instruments		**-**		(7,328)
Balance at end of period	₱	**295,793**	₱	15,700

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

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

Financial Risk Management

General

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

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

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

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

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

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

Financial Risk Management Objectives and Policies

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

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

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

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

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

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

The second and third columns of the table below summarize the Group's exposure to foreign exchange risk as of September 30, 2019. The fourth and fifth columns of the table demonstrates the sensitivity to a reasonably possible change in the peso exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (in thousands, unaudited).

Foreign currency		Net asset (liabilities)		PHP equivalent	Increase (decrease) in Peso per foreign currency	Increase (decrease) in profit before tax
United States Dollar (USD)	USD	278,185	₱	14,361,032	₱1.00	₱ 278,185
					(1.00)	(278,185)
Japanese Yen (JPY)	JPY	(23,085,554)	₱	(11,125,975)	1.00	(23,085,554)
					(1.00)	23,085,554
Thai Baht (THB)	THB	(5,178,556)	₱	(8,779,358)	1.00	(5,178,556)
					(1.00)	5,178,556
Euro (EUR)	EUR	39,099	₱	2,215,475	1.00	39,099
					(1.00)	(39,099)
Chinese RMB (RMB)	RMB	93,949	₱	688,458	1.00	93,949
					(1.00)	(93,949)
Vietnam Dong (VND)	VND	10,576,215	₱	23,625	1.00	10,576,215
					(1.00)	(10,576,215)

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

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

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

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

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

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

22. Related Party Transactions

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

The Group, in its regular conduct of business, has entered into transactions with associates, joint ventures and other related parties principally consisting of advances, loans and reimbursement of expenses, purchase and sale of real estate properties, various guarantees, construction contracts, and development, management, underwriting, marketing, consultancy and administrative service agreements. Sales and purchases of goods and services as well as other income and expense to and from related parties are made at normal commercial prices and terms. The terms and other details of the September 30, 2019 related party transactions are generally aligned with the terms and other details provided in the December 31, 2018 audited financial statements.

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

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

Highlights of related party transactions follow:

Transactions with BPI
The Group maintains current and savings account, money market placements and other short-term investments with BPI amounting to ₱25,761.7 million and ₱29,081.0 million, as of September 30, 2019 (unaudited) and December 31, 2018 (audited), respectively (see Notes 4 and 5). The Other Noncurrent Assets account as of September 30, 2019 (unaudited) and December 31, 2018 (audited) includes ₱4,419.7 million and ₱2,365.3 million placement of AYCFL with BPI, respectively (see Note 8). The Group also has short-term and long-term debt payable to BPI amounting to ₱28,433.4 million and ₱32,336.6 million as of September 30, 2019 (unaudited) and December 31, 2018 (audited), respectively. These short-term and long-term debts are interest bearing with varying rates, have various maturities starting 2019 and varying schedules of payments for interest (see Note 16).

Receivable from Related Parties
The Group has ₱13,975.8 million and ₱8,964.6 million receivable from related parties as of September 30, 2019 (unaudited) and December 31, 2018 (audited) respectively. Increase in receivable from related parties pertain to real estate group accounts. The balances pertain mostly to interest and non-interest bearing advances with various maturities from 30 days to 2 years. Advances include certain residential development projects which become due as soon as the projects are completed. The receivables also include certain trade receivables arising from automotive and other sales. This account also includes other receivables relating to reimbursement of operating expenses like management fees, among others. The trade and other receivables are unsecured, will be settled in cash and are due and demandable (see Note 6).

Receivables from Officers and Employees
The Group has ₱1,415.8 million and ₱1,498.0 million receivables from officers and employees as of September 30, 2019 (unaudited) and December 31, 2018 (audited), respectively. These pertain to housing, car, salary and other loans granted to the Group’s officers and employees which are collectible through salary deduction, are interest bearing ranging from 5.0% to 10.0% per annum and have various maturity dates ranging from 2019 to 2027 (see Note 6).

Payables to Related Parties
The Group has payables to various related parties amounting to ₱1,314.3 million and ₱1,072.6 million as of September 30, 2019 (unaudited) and December 31, 2018 (audited), respectively.

These payables include: a) cost of lots for joint development projects; b) purchased parts and accessories and vehicles; and c) advances and reimbursements for operating costs. These are all unsecured, interest free, will be settled in cash and are due and demandable (see Note 14).

Income and Expenses
The Group realized total income of ₱2,700.0 million and ₱1,090.6 million from related parties and incurred total expenses of ₱1,232.2 million and ₱1,024.8 million for the periods ended September 30, 2019 and 2018, respectively (both unaudited). These 2019 amounts represent 1.2% and 0.7% of the Group's total income and expenses, respectively. These consist of, among others, income from real estate, automotive sales, professional services and interest/financing as well as expenses on interest, water utilities, communications and professional fees (see Note 16).

23. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities follow:

	January 1, 2019 (Audited)	Cash Flows	Non-cash Changes		Foreign Exchange Movement	September 30, 2019 (Unaudited)
			(in Thousands)			
Short-term and Long-term debt	₱ 412,261,632	₱ 27,347,183	₱ (38,935,244)	*	₱ 838,052	₱ 401,511,622
Dividend payable	4,131,317	(9,000,299)	5,567,046	**		698,064
Other noncurrent liabilities	45,213,929	2,753,304	27,379,119	*/***		75,346,352
Service concession obligation	7,839,013	(308,621)	928,716			8,459,108
Total liabilities from financing activities	**₱ 469,445,891**	**₱ 20,791,567**	**₱ (5,060,363)**		**₱ 838,052**	**₱ 486,015,146**

** Includes reclassification of AC Energy's GNPK accounts (see Note 3).*

***This amount pertains to dividends declared by the Parent Company and by the subsidiaries to the non-controlling shareholders during the year.*

**** Includes offsetting of ROU assets against Lease liability (PFRS 16).*

24. Events after the Reporting Period

Parent Company

a) On October 4, 2019, the Parent Company submitted to Philippine Dealing and Exchange Corporation the copy of the notice on the redemption of the ACPB2 shares.

   On November 5, 2019, the Parent Company redeemed its 27,000,000 ACPB2 shares, representing all of the outstanding ACPB2 shares, at the redemption price equal to the issue price plus all accrued and unpaid dividends until today based on the dividend rate of 5.575% per annum. The redeemed shares will form part of our treasury shares until re-issued (see Note 17).

b) On November 8, 2019, a Certificate of Permit to Offer Securities for Sale was issued by the Markets and Securities Regulation Department of the SEC in favor of the Parent Company authorizing the sale and distribution in the Philippines only of the above-mentioned securities at a dividend rate of 4.8214% per annum.

   The offer period commenced at 9:00 a.m. of November 11, 2019 and will close at 12:00 noon of November 22, 2019, unless shortened or extended by an agreement between Ayala and the Joint Issue Managers in consultation with the Joint Lead Underwriters. The shares are scheduled to be listed on November 29, 2019 on the Philippine Stock Exchange, Inc. and will trade under the symbol APB2R.

   After the above activities, the redemption on November 5, 2019 and the Offer, assuming the oversubscription option is exercised in full, the Parent Company will have the following issued and outstanding shares: (a) 627,346,015 of 900,000,000 authorized common shares, (b) 0 of 12,000,000 authorized Class "A" Preferred Shares, (c) up to 50,000,000 of 58,000,000 authorized Class "B" Preferred Shares, (d) 0 of 40,000,000 authorized Class "C" Preferred Shares, and (e) 200,000,000 of 200,000,000 authorized Voting Preferred Shares. The Company will have (a) 3,805,644 common shares; (b) 12,000,000 Class "A" Preferred Shares; and (c) 8,000,000 Class "B" Preferred Shares, held in Treasury.

c) On October 23, 2019, the Parent Company together with AYCFL has set the terms of a US dollar-denominated fixed-for-life (non-deferrable) senior perpetual notes to be issued by AYCFL for an aggregate principal amount of US$400 million with a fixed coupon of 4.850% for life with no step-up and no reset, payable semi-annually. The Notes will be unconditionally and irrevocably guaranteed by the Parent Company. AYCFL may redeem the Notes in whole but not in part on October 30, 2024 (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 Notes are listed on the Singapore Exchange Securities Trading Limited.

   The net proceeds of the issuance will be used to refinance the issuer's maturing USD-denominated obligations and to fund investments of the Guarantor (the Parent Company) or its offshore subsidiaries.

   The bonds were priced at par with a re-offer yield of 4.850%, reflecting a 27.5 basis points compression from the initial price guidance. The final order book was over four times over-subscribed with the order book allocated predominantly to Asia, with the rest to Europe, reflecting the strong investors' confidence in the Ayala name. By investor type, more than half of the offering was allocated to fund managers, insurance companies and pension funds, around one-quarter to banks and financial institutions and the remainder to private banks. The transaction was settled on October 30, 2019.

d) On October 25, 2019, the Parent Company, in compliance with the SEC Memo Circular No. 10, series of 2019, submitted its Revised Related Party Transactions Policy.

e) On November 5, 2019, the Parent Company redeemed its 27,000,000 Preferred "B" Series 2 shares ("ACPB2"), representing all of the outstanding ACPB2 shares, at the redemption price equal to the issue price plus all accrued and unpaid dividends until today based on the dividend rate of 5.575% per annum. The redeemed shares will form part of our treasury shares until re-issued.

ALI Group

a) On October 31, 2019, the BOD of ALI during its regular meeting, approved the declaration of cash dividends of ₱0.26 per outstanding common share. The second-half regular cash dividends, together with the first-half cash dividends is equivalent to an annual dividend payout ratio of 26% of prior years' earnings. The cash dividend will be paid on November 29, 2019 to stockholders of common shares as of record date November 15, 2019.

b) On November 6, 2019, ALI listed on the PDEx a ₱10-billion, fixed-rate, dual-tenor bond due 2021 and 2027, representing the third tranche of Ayala Land's ₱50-billion shelf registration program with the SEC. The issue size of the Series-A 2-year bond is ₱9-billion with a coupon rate of 4.2463% while the Series-B 7.25-year bond is ₱1-billion with a coupon rate of 4.9899%. BPI Capital Corporation is the issue manager and joint lead underwriter and bookrunner together with BDO Capital & Investment Corporation and China Bank Capital Corporation.

IMI Group

a) IMI Singapore offered additional redeemable cumulative preferred stock which will be subscribed by ACI Singapore. IMI Singapore received deposits for future subscription amounting to $40 million in October 2019 (see Note 3).

   ACIFL infused additional capital to ACI Singapore amounting to US$40 million to fund this subscription.

AC Energy Group

a) On October 1, 2019, the Parent Company confirmed the news article titled, AC Energy, UPC form renewable energy venture" posted on BusinessWorld (Internet Edition) on the same date. AC Energy, Inc. had formed a joint venture company with UPC Renewables to build more than 1 gigawatt (GW) of capacity from renewable energy sources. AC Energy is investing $20 million via a development loan to finance the development of this pipeline and expects to provide all the construction equity required for these projects. It identified the joint venture partner as UPC Solar Asia Pacific, with which it had created UPC-AC Energy Solar. The company was described as UPC Renewables' solar energy platform for the development, construction and operations of solar projects in the Asia-Pacific region. The joint venture's initial focus is on projects in India, South Korea and Taiwan.

b) On October 9, 2019, AC Energy and ACEPH signed a Deed on Assignment of the 20% share of AC Energy in SLTEC to ACEPH (formerly PHEN).

   On October 10, 2019, the BOD of AC Energy, Inc. (ACEI) has approved the contribution by ACEI of its ownership interest in certain of its Philippine operating and development subsidiaries and affiliates (the ACEI Assets) to PHINMA Energy Corporation (PHEN) under a share swap arrangement (the Share Swap), and ACEI's subscription to 6,185,182,288 shares of stock in PHEN at ₱2.37 per share in exchange for the ACEI Assets, which price per share is within the share price range determined in the Fairness Opinion issued by FTI Consulting Philippines, Inc., an SEC-accredited and PSE-accredited independent financial valuation firm.

   In relation to PHEN's stock rights offering (which is subject to applicable regulatory approvals), the BOD of ACEI likewise approved its Management's proposal to not exercise its preemptive rights in the first round of the stock rights offering to enable the minority shareholders of PHEN to recover from the partial dilution arising from the Share Swap between PHEN and ACEI, but that in the event there are any unsubscribed shares after the first round, ACEI will subscribe to its pro-rata share in these unsubscribed shares.

   On October 11, 2019, the SEC approved the change in corporate name of PHEN to AC Energy Philippines, Inc. (ACEPH).

c) On October 14, 2019, Yoma Strategic Holdings Ltd. (Yoma Strategic) announced its decision to form a partnership with AC Energy. Yoma Strategic and AC Energy are looking to establish a 50:50 joint venture that will see AC Energy and Yoma Strategic working together to drive the growth of Yoma Micro Power (S) Pte. Ltd. (Yoma Micro Power).

   Both parties have signed a binding term sheet which envisages the joint venture investing at least $30 million into Yoma Micro Power. The new joint venture plans to invest in Yoma Micro Power and will jointly explore developing around 200MW of additional renewable energy projects within Myanmar including participation in large utility scale renewable projects.

d) On November 4, 2019, the Executive Committee of ACEPH authorized the signing of a share purchase agreement with the Philippine Investment Alliance for Infrastructure (PINAI) for the acquisition of PINAI's ownership interest in NLR. PINAI is a fund composed of Macquarie Infrastructure Holdings (Philippines) Pte.Ltd., Government Service Insurance System, Langoer Investments Holding, B.V. It has a 31% preferred equity ownership and 15% common equity ownership in NLR. The acquisition is subject to definitive documentation and approval by the Philippine Competition Commission.

e) On November 11, 2019, the Executive Committee of ACEPH authorized the signing of a share purchase agreement with the PINAI for the acquisition of PINAI's ownership interest in NLR. PINAI is a fund composed of Macquarie Infrastructure Holdings (Philippines) Pte.Ltd., Government Service Insurance System, Langoer Investments Holding, B.V. It has a 96% common equity ownership both in Sacasol and Islasol.

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

Ayala Corporation’s net income almost doubled during the first nine months of the year to reach ₱46.2 billion, lifted by the solid contribution of its banking, telecommunications, real estate, and power units.

In the third quarter, Ayala’s net profits expanded seven percent to ₱8.3 billion, supported by robust results from BPI and AC Energy.

Consolidated Sales of Goods and Services

Sale of goods and rendering services posted a two percent increase to ₱206.6 billion on higher revenues from Ayala Land’s sale of commercial lots and office spaces and improved performance of its leasing segments. This was further supported by increments from Manila Water, AC Energy’s retail electricity supply unit, and AC Health. However, this was partly offset by AC Industrials’ lower revenues.

Real Estate

Ayala Land saw its net income reach ₱23.2 billion in the first nine months of 2019, climbing 12 percent from ₱20.8 billion in the same period last year. This was driven by strong revenues from office, commercial and industrial lot sales, and commercial leasing assets.

Revenues from property development went down 2 percent to ₱85.4 billion year-on-year. The decrease was due to lower contributions from its high-end and upscale residential projects as well as from the full sell-out of projects by Malaysia-based MCT. This was offset by office for sale revenues that saw a 51 percent increase to ₱11.1 billion from ₱7.3 billion from projects in Makati and Bonifacio Global City. The sale of commercial and industrial lots, which grew 16 percent to ₱6.5 billion, likewise supported Ayala Land’s revenues during the period. In the third quarter, Ayala Land infused ₱37.8 billion worth of new inventory, bringing the launches to ₱57.3 billion during the nine-month period.

Commercial leasing revenues, on the other hand, expanded 16 percent to ₱27.6 billion from ₱23.9 billion year-on-year as openings from new malls, offices, and hotel assets provided uplift to the segment. Ayala Land continued its expansion of mall and office leasing spaces, adding 2.1 million and 1.2 million, respectively, in gross leasable area to its portfolio during the period. It opened the Ayala Malls Manila Bay, which also houses a BPO office space.

Capital spending reached ₱78.2 billion after the first three quarters wherein 42 percent was spent for residential projects, 22 percent for malls, offices, and hotels, 17 percent for land acquisition, and the rest for estate development and others.

Water

Manila Water’s nine-month net profits dropped 11 percent from its year-ago level to ₱4.4 billion as Metro Manila’s water crisis early this year continued to weigh down on its core concession. The impact, however, was partly cushioned by the improved performance of its domestic subsidiaries.

Manila Concession’s net income declined 17 percent to ₱4 billion, driven by the impact of the water supply crisis. Non-revenue water remained at an efficient level of 11.5 percent to mitigate the impact of a still-reduced water supply allocation. Despite the ongoing challenges in water source, Manila Water continues to efficiently allocate the limited supply across the concession and provide consistent service to its customers.

Manila Water’s revenues expanded 10 percent to ₱16 billion on robust net income performance of its domestic subsidiary, Manila Water Philippine Ventures, which more than doubled to ₱301 million. Strong contributions from Laguna Water, Boracay Water, and Estate Water provided the boost.

Manila Water’s topline growth was tempered by the one-time bill waiver implemented in March and higher operating expenses resulting from the penalty imposed by the Metropolitan Waterworks and Sewerage System in connection with the water supply shortage. These items were already recognized by the company during the first half of this year.

Power

AC Energy's nine-month net profits reached ₱24.3 billion, lifted by the recovery of costs incurred from adjustments in the construction and operations of its power plants and gains from the partial divestment of its thermal assets. In addition, it realized earnings from 410MW of new solar projects in Vietnam following the start of commercial operations in the second quarter, in time to meet the solar feed-in tariff deadline. Remeasurement gain from a higher stake in South Luzon Thermal Energy Corporation following the acquisition of PHINMA Energy also boosted AC Energy's net earnings during the period.

The Securities and Exchange Commission has since approved the renaming of PHINMA Energy to AC Energy Philippines, which will serve as AC Energy's platform for growth in the Philippines. In October, AC Energy announced the transfer of its interests in SLTEC, its onshore renewable assets, and its Philippine development platform to ACEPH under a share-for-share swap.

For its international business, AC Energy has announced a new solar joint venture with UPC Solar Asia Pacific for the development of solar projects in the Asia-Pacific region. UPC Renewables is the company's existing partner in the 81MW wind farm in the Philippines North Luzon Renewables as well as in the 75MW Sidrap wind project in Indonesia.

In October, AC Energy signed an agreement to enter into a joint venture with Yoma Strategic Holdings where the proposed joint venture will invest at least US$30 million into Yoma Micro Power and jointly explore developing around 200MW of additional renewable energy projects within Myanmar, including participation in large utility scale renewable projects. Yoma Micro Power builds micro power plants and mini-grids that provide electricity to off-grid rural communities and telecommunications towers in Myanmar.

These new investments and joint ventures support AC Energy's goal of achieving 5GW of attributable capacity from renewable energy, with a target of generating at least 50 percent of total output from renewable sources by 2025.

Industrial Technologies

AC Industrials posted a net loss of ₱1.6 billion on weak performance across its business lines.

Integrated Micro-Electronics Inc., its electronics manufacturing services platform, continues to weather challenges in its main market segments in the slowing global automotive space. IMI recorded a significant drop in its net profit to US$451,000 from US$41.4 million a year ago as the continued slowdown in IMI's main market segments, compounded by the effects of various geopolitical issues, hindered growth. Persistent contraction in the automotive sector, particularly in China, has brought down customer demand forecasts, leading to challenged margins as new manufacturing lines are temporarily underutilized.

Revenues from IMI's wholly owned businesses stood at US$755M, down three percent from a year ago. China's domestic market challenges proved to be the largest contributor to the decline, with IMI's factories in the region showing a 22 percent decrease year-on-year. Despite the global slowdown, the company's Mexico and Bulgaria/Serbia operations showed a growth of 66 percent and three percent, respectively.

IMI subsidiaries Via Optronics and STI, Ltd. together posted $184 million in revenues, a 20% decline against the same period last year. The delays in the production of next generation computer processors affected Via's consumer laptop business. It remains ready to serve the market as the segment rebounds and rolls out new products towards the end of the year. Meanwhile, continued political tensions in the UK as a result of the Brexit situation have depressed revenue growth in STI, where revenues were down 11 percent during the period. However, IMI's UK subsidiary expects business to improve in the near term having won US$62M in new business projects.

In vehicle distribution and retail, AC Motors registered a net loss of ₱262 million on lower sales volume of the Honda, Isuzu, and Volkswagen brands due to continued intensifying competition, combined with supply issues which affected unit availability. Players in the highly competitive Philippine automotive market continue to compete aggressively for incremental sales volumes in spite of the slowly recovering customer demand.

Meanwhile, AC Industrials' startup investments, Merlin Solar and MT Technologies, recorded higher net losses during the period on challenges in new product launches, margin pressures, and underutilization of capacity resulting from the global downturn in automotive and manufacturing.

Share in Net Profits of Associates and Joint Ventures

Share in net profits of associates and joint ventures expanded 12 percent to ₱17.4 billion on Globe's higher revenues and lower non-operating expenses and BPI's higher interest and non-interest income. This was, however, partly pulled down by lower earnings from AC Energy's investee companies.

Banking

Strong revenues from its core intermediation and fee-based businesses drove the 30 percent hike in Bank of the Philippine Islands' net earnings to ₱22 billion in the first nine months.

Total revenues increased 25 percent to ₱71 billion, driven by a 20 percent year-on-year growth in net interest income which reached ₱48.7 billion. Net interest margin widened 26 basis points on higher asset yields which rose 89 basis points. This was partially offset by higher cost of funds.

Meanwhile, total loans as of end-September reached ₱1.4 trillion, up 8.2 percent year-on-year on the back of consumer and corporate loan growth of 12.5 percent and 7.4 percent, respectively. Within the consumer segment, credit card loans continued its upward trajectory, climbing 25 percent from a year ago. Total deposits reached ₱1.6 trillion, 5 percent higher than a year ago. The bank's current account savings account deposit ratio stood at 69 percent while the loan-to-deposit ratio was at 85 percent.

Non-interest income reached ₱22.3 billion in the nine-month period, growing 38 percent, driven by higher securities trading gains and fee-based income. BPI's total securities position stood at ₱393 billion, up 17 percent year-on-year. Meanwhile, fees, commissions, and other income increased 19 percent, primarily driven by higher fee revenues from credit cards, transaction banking, electronic channels, deposit products, and insurance.

Operating expenses stood at ₱37.1 billion in the nine-month period, 16 percent higher year-on-year. Cost-to-income ratio was at 52.2 percent, lower than the 56.4 percent recorded in the same period last year. Provision for losses for the nine-month period, including specific reserves for Hanjin, was at ₱4.6 billion, bringing BPI's loss coverage ratio to 102.7 percent. Non-performing loans ratio ended flat at 1.81 percent.

In August, S&P Global Ratings assigned a 'BBB+' long-term and an 'A-2' short-term issuer credit rating to the bank. S&P's outlook on BPI's long-term rating is stable and its standalone credit profile was assessed to be 'bbb+'.

During the period, BPI priced its inaugural CHF 100 million two-year interest free ASEAN Green Bond, the first public Swiss franc-denominated benchmark out of the Philippines, the first ASEAN Green Bond benchmark for BPI, the first ever rated Philippine Green Bond in the international capital markets, and the first negative yielding bonds to be issued out of the Philippines in the international capital markets. Subsequently, the bank priced a US$300 million Senior Unsecured Fixed Rate ASEAN Green Bond via a drawdown under its US$2 billion Medium Term Note Program.

Telco

Globe Telecom's net profits in the first nine months of 2019 reached ₱17.7 billion from last year's comparative period of ₱14.8 billion, expanding 20 percent mainly due to the continued shift towards data-related services and a growing subscriber base. The company's mobile, home broadband, and corporate data segments bolstered its service revenues during the period, which saw a 13 percent growth year-on-year ending at ₱110.6 billion.

Mobile data revenues grew 44 percent to ₱52.2 billion lifted by higher traffic, which jumped 87 percent to 1,200 petabytes. Mobile data users ended at almost 38 million for the period, or 8 percent higher year-on-year.

In home broadband, revenues improved 19 percent to ₱16.1 billion resulting from a 24 percent year-on-year increase in subscriber base at 1.9 million as of the first three quarters of 2019. Corporate data revenues likewise grew 12 percent to ₱9.5 billion. As a whole, data-related services accounted for 70 percent of total service revenues in the first nine months of the year.

Globe's robust revenues and subdued operating expenses supported the 17 percent growth in its EBITDA, which reached ₱57.9 billion during the period.

Capital expenditure ended at ₱32 billion to support the growing subscriber base and demand for data. Bulk of this amount at 75 percent was allocated for data-related services.

In a move aimed at strengthening the products and services catering to its enterprise clients, Globe reacquired a 51 percent stake in Yondu. From a content developer and provider of mobile value-added services, Yondu has evolved to become a leading IT solutions company in the Philippines since its acquisition by Xurpas Inc. in 2015.

Costs and Expenses

General and administrative expenses went up 20 percent from its year-ago level to ₱24.8 billion, mainly driven by the consolidation of Generika and Entrego into AC Health and AC Infra, respectively, as well as Manila Water's accrual of penalty in connection with the water crisis. In addition, AC Energy's higher business taxes, manpower costs, professional fees, and restructuring costs related to the partial sale of its thermal assets and consolidation of SLTEC drove the higher GAE. Factoring out the impact of the consolidation of new entities, GAE only grew 16 percent year-on-year.

Balance Sheet Highlights

Ayala's balance sheet remains strong with sufficient capacity to support its future investments and cover dividend and debt obligations.

At the end of September 2019, Ayala's total assets stood at ₱1.3 trillion. Investments in associates and joint ventures expanded 7 percent to ₱257 billion on the back of higher equity in net earnings of BPI and Globe as well as additional investments of Ayala Land, AC Infra, and the merger of AC Education with iPeople. Moreover, Ayala Land's expansion projects on malls and office building drove the 11 percent increase in investment properties to ₱252 billion.

Meanwhile, consolidated total debt at the end of September 2019 stood at ₱401.5 billion, three percent lower from a year ago due to the maturity of Ayala's exchangeable bonds in May and settlements made by Manila Water, IMI, and AC Energy. This was partly offset by the bond issuances of Ayala Land, AC Energy and Manila Water's loan availment.

Parent level cash stood at ₱12 billion, with net debt at ₱74.4 billion. Ayala's net debt-to-equity ratio stood at 56 percent at the parent level and 60 percent 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 7.7 percent at the end of the first three quarters of 2019.

During the nine-month period, Ayala spent ₱15.1 billion in capital expenditure at the parent level, accounting for 67 percent of the allocation for the year, primarily to support its investments in power, industrial technology, and infrastructure.

On October 23, Ayala together with its subsidiary AYC Finance Limited has set the terms of a US dollar-denominated fixed-for-life (non-deferrable) senior perpetual notes. The notes will be issued by AYC Finance Limited for an aggregate principal amount of US$400 million with an annual coupon of 4.850% for life with no step-up. The notes will be unconditionally and irrevocably guaranteed by Ayala. AYC Finance Limited may redeem the notes in whole but not in part on October 30, 2024 (first redemption date) or any interest payment date falling after the first redemption date at 100 percent of the principal amount of the notes plus any accrued but unpaid interest. The notes are listed on the Singapore Exchange Securities Trading Limited.

In September, Ayala exercised the option for the early redemption of ₱13.5 billion Class B Series 2 Preferred Shares on November 5, 2019. Subsequently, it announced the reissuance of Class B Series 2 Preferred Shares for at least ₱10 billion with an oversubscription option of ₱5 billion.

Key Performance indicators:

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

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

Ratio	Formula	**September 2019 (Unaudited)**	December 2018 (Audited)
Liquidity Ratio*	Cash/ Cash equivalents + Short-term cash investments / Current Liabilities	**0.23**	0.20
Current ratio*	Current assets / Current liabilities	**1.43**	1.25
Solvency Ratio**	After-Tax Net Profit[1] + (Depreciation + Amortization)+ Provision for Bad Debts / Total Liabilities	**0.08**	0.05
Debt-to-Equity Ratio*	Long-term Loans[2] + Short Term Loans[3] / Total Stockholders' Equity	**73.6%**	87.9%
Assets- to-Equity Ratio*	Total Assets / Equity Attributable to Owners of the Parent	**3.77**	4.12
Interest Expense Coverage Ratio**	EBITDA[4] / Interest Expense[5]	**5.90**	5.56
Return on Equity***	Net Income to Owners of the Parent / Equity Attributable to Owners of the Parent (Average)	**14.6%**	8.8%
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)[6]	**15.4%**	9.2%
Return on Assets**	Net Income / Total Assets	**4.9%**	3.6%

* Based on "As at" September 30, 2019 (Unaudited) and December 31, 2018 (Audited) balances.
** Includes both "As at" and "Period ended" September 30, 2019 and 2018 (Unaudited) balances.
*** Includes both "As at" and "Period ended" September 30, 2019 and 2018 (Unaudited) and December 31, 2018 and 2017(Audited) balances.
[1] Equivalent to Net Income attributable to owners of the Parent Company.
[2] Sum of Current portion of long-term debt and Long-term debt - net of current portion.
[3] Equivalent to Short-term debt.
[4] EBITDA is calculated as Income before tax plus Depreciation and amortization and Interest and other financing charges.
[5] Pertains to Interest and other financing charges.
[6] Excluding Paid-in capital relating to Preferred stock A, Preferred stock B and Voting preferred stock (gross of transaction costs).

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

The Group does not expect any liquidity problems and is not in default of any financial obligations. The Group complied with the existing loan covenants and restrictions as of September 30, 2019.

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

None

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

None

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

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

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

ALI
For the year 2019, ALI's consolidated budget for project and capital expenditures amounts to ₱130.4 billion of which ₱78.2 billion has been disbursed as of September 30, 2019. ALI will use the capital expenditure for the construction completion of launched residential projects and investment properties as well as land acquisition.

MWC
The MWC Group ended the first nine months of 2019 with total capital expenditures of ₱7,319 million, with 80% of said amount accounted for by the Manila Concession. Majority of the Manila Concession capital expenditures was spent on wastewater expansion, network reliability and water supply projects, while the balance was accounted for by concession fees paid to MWSS.

Meanwhile, total capital expenditures of the domestic subsidiaries amounted to ₱1,484 million. Of the total amount, ₱359 million was undertaken by Laguna Water for its water network expansion, while Boracay Water disbursed ₱232 million. Estate Water spent ₱680 million for its greenfield and brownfield projects, with the balance being taken on by the remaining subsidiaries for its various projects.

IMI
For the nine months of 2019, IMI spent $33.2M of capital expenditures related to new programs and capacity expansions.

AC Energy
As of the nine-month period, AC Energy's capital expenditures amounted to ₱30.0 billion, mainly for investments in ACE PH and GNPK.

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

Globe
Total cash capital expenditures as of end-September 2019 posted close to ₱32.0 billion, 2% lower than last year's level of ₱32.5 billion. About 75% of total capex for the period was spent on data network.

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

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

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

None

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

None

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

The September 30, 2019 (unaudited) and December 31, 2018 (audited) consolidated financial statements show several significant increases in Balance Sheet and Income Statement accounts relating to three (3) key factors:

1. Adoption of new accounting standard PFRS 16 (Leases) which give rise to new accounts in the balance sheet namely Right-of-use Assets and Lease Liabilities. The impact to income statement is shown in the depreciation (classified under cost of sales and general & administrative expenses) and interest expenses of the Group (see Note 2).

2. Significant acquisitions and divestments as follows (see Note 3):
   a. Merger of AC Education and IPeople with IPeople as the surviving entity and now an AJV entity of AC from previously consolidated subsidiary.
   b. Acquisition by Aboitiz of 60% economic ownership in AAThermal, now the holding company of GNPower Mariveles and GNPower Dinginin.
   c. AC Energy's increase of ownership share in SLTEC (previously classified as AJV entity) from 35% in December 2018 to 80% (now a subsidiary).
   d. Reclassification of the assets and liabilities of GNPKauswagan (GNPK), a subsidiary, into assets held for sale and liabilities of unit for disposal as of September 30, 2019.

3. Reclassification of Contract Assets and Liabilities as permitted under PIC's September 2019 letter response to real estate industry which ALI adopted for year 2019 (see Notes 2, 6 and 9).

(In Thousands)	September 2019 (Unaudited)	December 2018 (Audited)	*Increase (Decrease)*	
Contract Assets - total (Note 9)	5,240,391	88,139,448		
Real estate receivables (Note 6)	103,995,132	54,390,917		
	109,235,523	**142,530,365**	*(33,294,842)*	*-23%*
Contract Liabilities - total (Note 9)	38,711	30,619,085		
Other Current Liabilities* (Note 15)	15,892,961	11,129,234		
Other Non-current Liabilities (Note 15)	54,422,305	45,213,929		
	70,353,977	**86,962,248**	*(16,608,271)*	*-19%*

**Excluding Liabilities attributable to unit for disposal (Note 3)*

Balance Sheet Items
As of September 30, 2019 (Unaudited) vs. December 31, 2018 (Audited)

Cash and cash equivalents – 15% increase from ₱60,624 million to ₱69,754 million
Increase due to AC's proceeds from loans and dividends received, partly offset by acquisition of common treasury shares; and AC Energy's proceeds from sale of AA Thermal shares, from Green bonds and dividends received, partly offset by acquisition of Phinma Energy. Use of cash includes ALI's funding for land acquisitions, real estate expansion projects and property acquisitions, partly funded by proceeds for issued bonds and loans; and MWC's and IMI's payment of loans. This account is at 5% of the total assets as of September 30, 2019 and December 31, 2018.

Short-term investments – 68% decrease from ₱5,956 million to ₱1,890 million
Decrease due to ALI's and AYC's short-term placements maturity. This account is below 1% of the total assets as of September 30, 2019 and December 31, 2018.

Accounts and notes receivable (current) – 25% increase from ₱105,519 million to ₱131,747 million
Increase resulting mainly from ALI's reclassification of contract assets to accounts receivable per Item 3 described above; ACEI's RES business and advances for projects; partly offset by ALI's sale of trade accounts to banks. This account is at 9% and 10% of the total assets as of September 30, 2019 and December 31, 2018, respectively.

Contract assets (current and noncurrent) – 94% decrease from ₱88,139 million to ₱5,240 million
Decrease resulting mainly from ALI's reclassification of contract assets per Item 3 described above. This account is at less than 1% and 7% of the total assets as of September 30, 2019 and December 31, 2018, respectively.

Inventories – 8% decrease from ₱120,560 million to ₱110,885 million
Decrease due to ALI's higher sales amidst new project launches and IMI's recoveries of backlogs; partly offset by higher inventories of AC Industrials due to inventory build-up of new brands Kia & Maxxus and AC Health's consolidation of Generika and FamDoc related expansions. This account is at 9% and 10% of the total assets as of September 30, 2019 and December 31, 2018, respectively.

Other current assets – 97% increase from ₱67,890 million to ₱133,633 million
Increase mainly coming from reclassification of AC Energy's GNPK assets (see Note 2) offset by completed sale of GMCP and GNPD by AC Energy and also the merger of AC Education into IPO (per Item 2 described above). This account is at 10% and 6% of the total assets as of September 30, 2019 and December 31, 2018, respectively.

Accounts and notes receivable (noncurrent) – 449% increase from ₱6,366 million to ₱34,976 million
Increase resulting mainly from ALI's reclassification of contract assets to accounts receivable per Item 3 described above. This account is at 3% and less than 1% of the total assets as of September 30, 2019 and December 31, 2018, respectively.

Investments in associates and joint ventures (AJVs) – 7% increase from ₱240,141 million to ₱256,880 million
The increase is mainly due to the higher equity in net earnings of BPI and Globe. Also contributing to the increase are the: merger of iPeople and AC Education (per Item 2 described above); additional investments of ALI in ALI-Eton & AKL, and AC Infra in LRMHI; partly offset by consolidation of SLTEC (per Item 2 above). This account is at 20% of the total assets as of September 30, 2019 and December 31, 2018.

Investment Properties – 11% increase from ₱227,646 million to ₱252,411 million
The increase relates to ALI group's expansion projects mainly on malls and office buildings. This account is at 20% and 19% of the total assets as of September 30, 2019 and December 31, 2018, respectively.

Property, plant and equipment – 12% decrease from ₱104,492 million to ₱104,123 million
Decrease coming from AC Energy's reclassification of GNPK accounts (see Note 2); partly offset by ALI's acquisitions. This account is at 7% and 9% of the total assets as of September 30, 2019 and December 31, 2018, respectively.

Service concession assets – 6% increase from ₱98,404 million to ₱104,123 million
Increase attributable to MWC's additional service concession assets. This account is at 8% of the total assets as of December 31, 2018 and 2017.

Right-of-use assets – amounted to ₱16,870 million in September 2019 (new)
Account is in relation to adoption of PFRS 16 per Item 1 described above, which consists of balances from ALI, IMI, AC Industrials, AC Health, AC Energy, MWC and AC Infra groups. This account is at 1% of the total assets as of September 30, 2019.

Other noncurrent assets – 32% increase from ₱40,088 million to ₱53,011 million
Increase pertains to: ALI's higher project advances and deferred tax; and AYCFL's hold-out cash for a loan availed by AC. The account also includes the Group's pension asset amounting to ₱100.0 million and ₱82.0 million in September 30, 2019 and December 31, 2018, respectively.[1] This account is at 4% and 3% of the total assets as of September 30, 2019 and December 31, 2018, respectively.

[1] The Parent Company's pension fund is known as the AC Employees Welfare and Retirement Fund (ACEWRF). ACEWRF is a legal entity separate and distinct from the Parent Company, governed by a board of trustees appointed under a Trust Agreement between the Parent Company and the initial trustees. It holds common and preferred shares of the Parent Company in its portfolio. All such shares have voting rights under certain conditions, pursuant to law. ACEWRF's portfolio is managed by a committee appointed by the fund's trustees for that purpose. The members of the committee include the Parent Company's Chief Finance Officer, Group Head of Corporate Governance, General Counsel, Corporate Secretary and Compliance Officer, Head for Strategic Human Resources, Treasurer and Comptroller. ACEWRF has not exercised voting rights over any shares of the Parent Company that it owns.

Short-term debt – 14% decrease from ₱39,518 million to ₱34,091 million
Decrease due to settlements made by MWC, IMI and AC Energy as well as AC Industrials' lower borrowing; partly offset by ALI's subsidiaries borrowings. This account is at 5% of the total liabilities as of September 30, 2019 and December 31, 2018.

Accounts payable and accrued expenses – 8% decrease from ₱204,758 million to ₱189,299 million
Decrease mainly due to ALI's trend in development and project costs of residential and commercial business groups coupled; partly offset by AC Energy's higher trade payables; and MWC's increase in Estate Water operations, higher income tax plus penalty accruals for water shortage incident. This account is at 23% and 28% of the total liabilities as of September 30, 2019 and December 31, 2018, respectively.

Contract liabilities (current and noncurrent) – 100% decrease from ₱30,619 million to ₱39 million
Decrease mainly arising from ALI's reclassification of contract liabilities to other current and noncurrent liabilities per Item 3 described above. This account is at less than 1% and 4% of the total liabilities as of September 30, 2019 and December 31, 2018, respectively.

Income tax payable – 6% increase from ₱3,407 million to ₱3,596 million
Increase mainly arising from higher tax payable of ALI group partly offset by lower tax payable. This account is less than 1% of the total liabilities as of September 30, 2019 and December 31, 2018.

Other current liabilities – 417% increase from ₱11,129 million to ₱57,563 million
Increase coming from reclassification of AC Energy's GNPK accounts (see Note 2); ALI's higher customer deposits and reclassification of contract liabilities to other current liabilities per Item 3 described above. This account is at 8% and 2% of the total liabilities as of September 30, 2019 and December 31, 2018, respectively.

Long-term debt (current) – 37% decrease from ₱48,481 million to ₱30,336 million
Decrease due to loans maturity of ALI and AYC's actual exchange of its bonds into ALI shares; partly offset by ALI's bond issuance and MWC's loan availments. This account is at 4% and 7% of the total liabilities as of September 30, 2019 and December 31, 2018, respectively.

Service concession obligation (current) – 11% decrease from ₱821 million to ₱729 million
Decrease was due to periodic payments made by MWC. This account is at less than 1% of the total liabilities as of September 30, 2019 and December 31, 2018.

Service concession obligation (noncurrent) – 10% increase from ₱7,018 million to ₱7,730 million
Increase related to MWC's service concession obligation. This account is at 1% of the total liabilities as of September 30, 2019 and December 31, 2018.

Lease liabilities (current and noncurrent) – amounted to ₱20,823 million in September 2019
Account is in relation to adoption of PFRS 16 per Item 1 described above, which is mainly coming from ALI, IMI, AC Energy, AC Industrials, AC Health, MWC and AC Infra groups. This account is at 3% of the total liabilities as of September 30, 2019.

Deferred tax liabilities – 8% decrease from ₱10,999 million to ₱10,999 million
Decrease attributable to decrease in deferred tax liabilities of ALI, AC Energy; partly offset by increase in AC Industrials. This account is at 1% and 2% of the total liabilities as of September 30, 2019 and December 31, 2018, respectively.

Other noncurrent liabilities – 21% increase from ₱45,214 million to ₱54,796 million
Increase primarily due to ALI's higher customer deposits and retentions payable and reclassification of contract liabilities to other noncurrent liabilities per Item 3 above. This account is at 7% and 6% of the total liabilities as of September 30, 2019 and December 31, 2018, respectively.

Fair value reserve of financial assets at fair value through other comprehensive income (FVOCI) – 44% increase from negative ₱545 million to negative ₱304 million
Increase attributable to higher market value of securities held by BPI group. This account is at less than 1% of the total equity as of September 30, 2019 and December 31, 2018.

Cumulative translation adjustments – 60% decrease from ₱2,277 million to ₱902 million
Decrease due to decline in foreign accounts of most investments particularly IMI, Bestfull, ALI and Globe as well as forex movements. Forex of PhP vs USD amounted to ₱51.83 in September 2019 vs. ₱52.58 in December 2018. This account is below 1% of the total equity as of September 30, 2019 and December 31, 2018.

Equity reserve and Equity conversion option (total) – 115% increase from ₱11,959 million to ₱25,664 million
Increase due to gain on sale of ALI shares in relation to AYC's exchangeable bonds conversions and AC Energy's consolidation of PHEN. This account is at 5% and 3% of the total equity as of September 30, 2019 and December 31, 2018, respectively.

Retained Earnings – 22% increase from ₱196,915 million to ₱240,152 million
Increase due to overall growth in net income of the group. This account is 44% and 42% of the total equity as of September 30, 2019 and December 31, 2018, respectively.

Treasury stock – 139% increase from ₱2,300 million to ₱5,492 million
Increase due to AC parent's purchase of common treasury shares (see Note 17). This account is 1% and below 1% of the total equity as of September 30, 2019 and December 31, 2018, respectively.

Non-controlling interests – 13% increase from ₱178,501 million to ₱201,977 million
Increase due to overall growth in net income, consolidation of PHEN partly offset by dividends. This account is 37% and 38% of the total equity as of September 30, 2019 and December 31, 2018, respectively.

Income Statement items
For the Period Ended September 30, 2019 (Unaudited) vs. September 30, 2018 (Unaudited)

Sale of goods and rendering services – 2% increase from ₱201,677 million to ₱206,551 million
Increase in sale of goods and rendering services coming from ALI's higher revenues from sale of commercial lots, core-mid and mid-income residential plus improved performance of leasing segments; increments from MWCI, AC Energy's RES unit and AC Health partly offset by IMI's lower revenues and AC Industrials' lower sales volume. As a percentage to total revenue, this account is at 89% and 90% in September 30, 2019 and 2018, respectively.

Share in net profits of associates and joint ventures – 12% increase from ₱15,552 million to ₱17,358 million
Increase coming from Globe's higher revenues and lower non-operating expenses and BPI's higher interest and non-interest income; partly offset by AC Energy's investees lower earnings. As a percentage to total revenue, this account is at 7% in September 30, 2019 and 2018.

Interest income – 53% increase from ₱5,822 million to ₱8,888 million
Increase attributable to interest income from ALI and ACEI groups. This account is at 4% and 3% of the total revenue in September 30, 2019 and 2018, respectively.

General and administrative expenses – 20% increase from ₱20,770 million to ₱24,844 million
Increase mainly from MWC's accrual of penalty for water shortage incident amounting to ₱534 million, AC Energy's higher business taxes, manpower costs, professional fees, restructuring costs for sale of thermal assets (see Note 3), partly on consolidation of SLTEC; and AC parent's take up of general provisions for impairments. Factoring out impact of the new consolidated units, GAE increased by 16% year-on year. GAE also increased due to the Group's adoption of PFRS 16 amounting to ₱240 million (see Note 2). As a percentage to total costs and expenses, this account is at 14% and 13% in September 30, 2019 and 2018, respectively.

Other income – 158% increase from ₱14,973 million to ₱38,661 million
Increase pertains to AC Energy's gain on the partial sale of AA Thermal, Inc. to Aboitiz Power Corporation, remeasurement gain on SLTEC, and higher liquidated damages on delayed completion of GNPK plant partly offset by impact of last year's Sithe commission fees; Parent Company's gain on AC Education and iPeople merger (see Note 3). These were partly offset by impact of last year's IMI's gain on disposal of China asset plus this year's provisions.

Interest and other financing charges – 30% increase from ₱13,768 million to ₱17,961 million
Increase due to higher interest expenses of the Parent Company, ALI, MWC and AC Energy as a result of higher debt balance level this year as compared to last year. The Group's adoption of PFRS 16 also increased interest expense amounting to ₱739 million shown in the table below (see Note 2).

(in millions pesos)	YTD September 2019 Post-PFRS 16	PFRS 16 impact	Pre-PFRS 16
Interest & other financing charges	17,961	739	17,222

Income attributable to Owners of the parent – 93% increase from ₱23,864 million to ₱46,162 million
Increase resulting from better operating results of ALI and higher equity in net earnings of Globe and BPI and on AC Energy's gain from sale of AA Thermal.

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

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

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

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

MWC group does not have any significant seasonality or 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 24 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements.

3.1 Other material events or transactions during the interim period.

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

PART II – OTHER INFORMATION

The other major information about the Group are disclosed in the appropriate notes in the previously filed Audited Consolidated Financial Statements for December 31, 2018 or in the SEC 17A / SEC 17Q and SEC 17-C reports for 2018.

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

1. On April 26, 2019, at the annual meeting of the Parent Company's stockholders, the following are the major items approved:

   a. Approval of minutes of the annual stockholders' meeting held on April 20, 2018.
   b. Approval of Corporation's Annual Report, which consists of the Chairman's Message, President's Report, and the audio-visual presentation to the stockholders, and to approve the consolidated audited financial statements of the Corporation and its subsidiaries as of December 31, 2018, as audited by the Corporation's external auditor SyCip Gorres Velayo & Co.
   c. Ratification of each and every act and resolution, from 20 April 2018 to 26 April 2019 (the "Period"), of the Board of Directors (the "Board") and the Executive Committee and other Board committees exercising powers delegated by the Board, and each and every act, during the Period, of the officers of the Corporation performed in accordance with the resolutions of the Board, the Executive Committee and other Board committees as well as with the By-laws of the Corporation.
   d. Approval of the amendment of the Second Article of the Articles of Incorporation to expressly include in the Corporation's primary purpose, the authority of the Corporation to act as guarantor and surety for the loans and obligations of its affiliates or associates, as recommended by the Board of Directors in Resolution No. B-0919.
   e. Election of the following as directors effective immediately and until their successors are elected and qualified:

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

   f. Approval of the re-election of SyCip, Gorres, Velayo & Co. as the external auditors of the Parent Company for the year 2019 for an audit fee of ₱5.77 million, inclusive of value-added tax.

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

   a. Election of Chairpersons and Members of the Board Committees:

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

Antonio Jose U. Periquet (independent director)	Member

Personnel and Compensation Committee

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

Finance Committee

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

Committee of Inspectors of Proxies and Ballots

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

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

c. Election of Officers (excluding seconded officers):

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

**Please refer to no. 2 item below.*

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

The following are the Management Committees:

a. Ayala Group of Companies Management Committee

Jaime Augusto Zobel de Ayala	- Chairman and Chief Executive Officer, Ayala Corporation
Fernando Zobel de Ayala	- Vice Chairman, President and Chief Operating Officer, Ayala Corporation
Jose Rene Gregory D. Almendras*	- President, AC Infrastructure Holdings Corporation and Public Affairs Group Head, Ayala Corporation
Alfredo I. Ayala	- President, AC Education, Inc.
Paolo Maximo F. Borromeo	- President, Ayala Healthcare Holdings, Inc. and

	Corporate Strategy and Development Group Head, Ayala Corporation
Cezar P. Consing	- President, Bank of the Philippine Islands
Ernest Lawrence L. Cu	- President, Globe Telecom, Inc.
Ferdinand M. Dela Cruz*	- President, Manila Water Company, Inc.
Bernard Vincent O. Dy	- President, Ayala Land, Inc.
John Eric T. Francia	- President, AC Energy, Inc.
Solomon M. Hermosura	- Chief Legal Officer, Corporate Secretary, Compliance Officer, Data Protection Officer & Corporate Governance Group Head, Ayala Corporation
Jose Teodoro K. Limcaoco	- President, AC Ventures Holding Corp. and Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer and Finance Group Head, Ayala Corporation
Ruel T. Maranan	- President, Ayala Foundation, Inc.
John Philip S. Orbeta	- Chief Human Resources Officer and Corporate Resources Group Head, Ayala Corporation
Arthur R. Tan	- Chief Executive Officer, Integrated Micro-Electronics, Inc. and Group President and Chief Executive Officer, AC Industrial Technology Holdings, Inc.

**Please refer to no. 2 item below.*

b. Ayala Corporation Management Committee

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

2. On August 8, 2019, Mr. Ferdinand M. Dela Cruz tendered his resignation effective end of business on August 31, 2019 as President and CEO of MWC and availed of early retirement also effective August 31, 2019 as Managing Director of the Parent Company.

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

3. In line with the National Telecommunications Commission mandated-migration of all existing seven (7)-digit telephone numbers to eight (8)-digit telephone numbers effective October 6, 2019, below are the new telephone and fax numbers:

   Telephone Number: +632 7908 3000
   Fax Number: +632 8848 5846

SIGNATURE

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

Registrant AYALA CORPORATION

By:

JOSEPHINE G. DE ASIS
Authorized Signatory
Comptroller
Ayala Corporation

Date: November 13, 2019