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 / Tow n / Province)

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

1 2	3 1	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 Borrow ings

6473	P 40B. bonds	
Total No. Of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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SEC No. 34218
File No. _____

AYALA CORPORATION

(Company's Full Name)

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

(Company's Address)

908-3000

(Telephone Number)

March 31, 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: **March 31, 2019**

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

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

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

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

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

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

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

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

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

Title of each class	Number of shares issued & outstanding As of March 31, 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	630,630,686

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

Amount of debt outstanding as of March 31, 2019: **₱40 billion in bonds******

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

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

As of March 31, 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 12,000,000 ACPA shares, 8,000,000 ACPB1 shares, and 3,000,000 ACPB2 shares are held in Treasury by the Company.

12. Check whether the registrant:

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

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

TABLE OF CONTENTS

The unaudited interim condensed consolidated financial statements and other parts of the entire SEC 17Q report as of March 31, 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. (ACEI), 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 March 31, 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 March 31, 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 March 31, 2019 (With Comparative Audited Figures as at December 31, 2018)

(Amounts in Thousands)

	March 2019 Unaudited	December 2018 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱ 73,463,961**	₱ 60,624,263
Short-term investments (Note 5)	**3,412,073**	5,956,489
Accounts and notes receivable (Note 6)	**89,555,865**	105,518,572
Contract assets (Note 9)	**62,335,190**	52,209,458
Inventories (Note 7)	**109,622,371**	120,560,493
Other current assets (Note 8)	**80,069,732**	67,890,147
Total Current Assets	**418,459,192**	412,759,422
Noncurrent Assets		
Noncurrent accounts and notes receivable (Note 6)	**4,148,099**	6,366,250
Noncurrent contract assets (Note 9)	**37,933,835**	35,929,990
Investments in associates and joint ventures (Note 10)	**246,374,134**	240,140,558
Investment properties (Note 12)	**243,566,466**	227,645,548
Property, plant and equipment (Note 12)	**104,441,968**	104,492,357
Service concession assets (Note 13)	**99,590,854**	98,404,486
Intangible assets (Note 11)	**21,035,413**	16,553,369
Right-of-use assets (Note 2)	**2,352,853**	-
Deferred tax assets - net (Note 11)	**15,409,429**	15,546,040
Other noncurrent assets (Note 8)	**51,222,893**	40,087,599
Total Noncurrent Assets	**826,075,944**	785,166,197
Total Assets	**₱ 1,244,535,136**	₱ 1,197,925,619
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Note 16)	**₱ 25,606,612**	₱ 39,518,245
Accounts payable and accrued expenses (Note 14)	**187,103,864**	204,758,244
Contract liabilities (Note 9)	**21,910,156**	21,988,850
Income tax payable	**4,659,177**	3,406,921
Other current liabilities (Note 15)	**19,344,860**	11,129,234
Current portion of:		
Long-term debt (Note 16)	**40,856,816**	48,480,559
Service concession obligation	**770,940**	820,802
Total Current Liabilities	**300,252,425**	330,102,855
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**364,456,954**	324,262,828
Contract liabilities - net of current portion (Note 9)	**9,336,280**	8,630,235
Service concession obligation - net of current portion	**7,175,926**	7,018,211
Lease liabilities (Note 2)	**2,344,925**	-
Deferred tax liabilities - net	**11,210,935**	10,999,354
Pension liabilities	**2,539,101**	2,589,852
Other noncurrent liabilities (Note 15)	**60,483,923**	45,213,929
Total Noncurrent Liabilities	**457,548,044**	398,714,409
Total Liabilities	**757,800,469**	728,817,264
Equity		
Equity attributable to owners of the parent company		
Paid-in capital (Note 17)	**83,470,986**	83,361,675
Share-based payments	**238,871**	238,871
Remeasurement losses on defined benefit plans	**(1,228,966)**	(1,299,319)
Fair value reserve of financial assets at fair value through other comprehensive income	**146,345**	(544,555)
Cumulative translation adjustments	**3,394,034**	2,276,669
Equity reserve	**15,621,461**	10,872,124
Equity conversion option (Note 16)	**667,842**	1,087,015
Retained earnings (Note 17)	**205,160,438**	196,914,989
Treasury stock	**(2,300,000)**	(2,300,000)
	305,171,011	290,607,469
Non-controlling interests	**181,563,656**	178,500,886
Total Equity	**486,734,667**	469,108,355
Total Liabilities and Equity	**₱ 1,244,535,136**	₱ 1,197,925,619

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Figures)

		March 2019		March 2018
REVENUE				
Sale of goods and rendering of services	₱	**66,065,815**	₱	64,013,222
Share of net profit of associates and joint ventures		**5,924,019**		5,046,669
Interest income		**2,334,958**		1,386,510
Dividend income		**13,390**		238,734
		74,338,182		70,685,135
COSTS AND EXPENSES				
Costs of sales and services		**46,624,477**		44,993,451
General and administrative expenses		**7,297,317**		6,345,562
		53,921,794		51,339,013
OTHER INCOME (CHARGES) - Net				
Other income		**3,555,321**		4,869,367
Interest and other financing charges		**(5,596,162)**		(4,337,284)
Other charges		**(1,419,912)**		(3,086,301)
		(3,460,753)		(2,554,218)
INCOME BEFORE INCOME TAX		**16,955,635**		16,791,904
PROVISION FOR INCOME TAX				
Current		**3,671,268**		3,917,160
Deferred		**(64,609)**		(15,764)
		3,606,659		3,901,396
NET INCOME	₱	**13,348,976**	₱	12,890,508
Net Income Attributable to:				
Owners of the Parent Company	₱	**8,031,010**	₱	7,657,012
Non-controlling interests		**5,317,966**		5,233,496
	₱	**13,348,976**	₱	12,890,508
EARNINGS PER SHARE (Note 18)				
Basic	₱	**12.23**	₱	11.81
Diluted	₱	**12.08**	₱	11.63

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

		March 2019		March 2018
NET INCOME	₱	**13,348,976**	₱	12,890,508
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising from translations of foreign investments		**996,089**		2,795,517
Changes in fair values of available-for-sale investment in equity securities		**-**		36,809
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gains (losses) on defined benefit plans		**74,116**		(107,721)
Changes in fair values of financial assets at FVOCI - net		**141,020**		-
		1,211,225		2,724,605
SHARE IN OTHER COMPREHENSIVE INCOME 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		**(88,223)**		280,735
Changes in fair values of available-for-sale investment in equity securities		**-**		1,369,689
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Remeasurement losses on defined benefit plans		**(1,180)**		(240)
Changes in fair values of financial assets at FVOCI - net		**613,366**		-
		523,963		1,650,184
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		**1,735,188**		4,374,789
TOTAL COMPREHENSIVE INCOME	₱	**15,084,164**	₱	17,265,297
Total Comprehensive Income Attributable to:				
Owners of the Parent Company	₱	**9,909,628**	₱	11,288,328
Non-controlling interests		**5,174,536**		5,976,969
	₱	**15,084,164**	₱	17,265,297

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT 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 March 31, 2019 (Unaudited)												
As of 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	-	-	-	-	-	-	-	-	214,439	-	214,439	-	214,439
As of January 1, 2019 (Restated)	83,361,675	238,871	(1,299,319)	-	(544,555)	2,276,669	10,872,124	1,087,015	197,129,428	(2,300,000)	290,821,908	178,500,886	469,322,794
Net Income	-	-	-	-		-	-	-	8,031,010	-	8,031,010	5,317,966	13,348,976
Other comprehensive income (loss)	-	-	71,533		77,534	1,205,588	-	-	-	-	1,354,655	(143,430)	1,211,225
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(1,180)		613,366	(88,223)	-	-	-	-	523,963	-	523,963
Total comprehensive income (loss)	-	-	70,353	-	690,900	1,117,365	-	-	8,031,010	-	9,909,628	5,174,536	15,084,164
Exercise of ESOP/ESOWN	109,311	-	-		-	-	-	-	-	-	109,311	-	109,311
Exercise of exchange option	-	-	-		-	-	4,781,442	(419,173)	-	-	4,362,269	1,479,142	5,841,411
Cash Dividends	-	-	-		-	-	-	-	-	-	-	(2,780,599)	(2,780,599)
Change in non-controlling interests	-	-	-		-	-	(32,105)	-	-	-	(32,105)	(810,309)	(842,414)
At March 31, 2019 (Unaudited)	**₱ 83,470,986**	**₱ 238,871**	**₱ (1,228,966)**	**₱ -**	**₱ 146,345**	**₱ 3,394,034**	**₱ 15,621,461**	**₱ 667,842**	**₱ 205,160,438**	**₱(2,300,000)**	**₱ 305,171,011**	**₱181,563,656**	**₱ 486,734,667**

	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 March 31, 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	704,660	-	-	-	(1,155,253)	-	657,369	-	657,369
As of January 1, 2018 (Restated)	75,001,174	248,212	(1,303,288)	-	704,660	2,794,303	11,600,281	1,113,003	169,146,775	(2,300,000)	257,005,120	154,744,637	411,749,757
Net Income	-	-	-	-	-	-	-	-	7,657,012	-	7,657,012	5,233,496	12,890,508
Other comprehensive income (loss)	-	-	(52,800)	-	3,812	2,000,619	-	-	-	-	1,951,631	772,974	2,724,605
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(240)	-	(413,432)	280,735	-	-	-	-	(132,937)	1,783,121	1,650,184
Total comprehensive income (loss)	-	-	(53,040)	-	(409,620)	2,281,354	-	-	7,657,012	-	9,475,706	7,789,591	17,265,297
Exercise of exchange option	-	-	-	-	-	-	300,984	(46,770)	-	-	254,214	75,395	329,609
Cash Dividends	-	-	-	-	-	-	-	-	-	-	-	(2,908,965)	(2,908,965)
Change in non-controlling interests	-	-	-	-	-	-	(6,341,198)	-	-	-	(6,341,198)	4,654,236	(1,686,962)
At March 31, 2018 (Unaudited)	₱ 75,001,174	₱ 248,212	₱ (1,356,328)	₱ -	₱ 295,040	₱ 5,075,657	₱ 5,560,067	₱ 1,066,233	₱ 176,803,787	₱(2,300,000)	₱ 260,393,842	₱164,354,894	₱ 424,748,736

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT 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)

		March 2019		March 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱	**16,955,636**	₱	16,791,904
Adjustments for:				
Interest and other financing charges - net of amount capitalized		**5,596,162**		4,337,284
Depreciation and amortization		**3,950,382**		3,062,441
Provision for impairment/ Losses on investments				
Provision for impairment losses		**281**		17,192
Mark to market gain on financial assets at				
fair value through profit or loss (FVPL) and derivatives		**2,680**		(111,251)
Dividend income		**(13,390)**		(238,734)
Other investment income		**(188,645)**		(198,701)
Gain on sale of:				
Investments		**(1,013,493)**		(13,956)
Other assets		**(8,336)**		(19,383)
Interest income		**(2,334,958)**		(1,386,509)
Share of profit of associates and joint ventures		**(5,924,019)**		(5,046,669)
Operating income before changes in operating assets and liabilities		**17,022,300**		17,193,618
Decrease (increase) in:				
Accounts and notes receivable - trade		**22,714,639**		3,379,937
Contract assets		**(12,129,528)**		-
Inventories		**10,938,121**		3,098,595
Service concession asset		**700,630**		(4,096,819)
Other current assets		**(14,774,441)**		(3,281,926)
Increase (decrease) in:				
Accounts payable and accrued expenses		**(14,852,436)**		3,576,206
Contract liabilities		**627,351**		-
Net pension liabilities		**102,889**		122,520
Other current liabilities		**8,215,627**		(3,573,755)
Net cash generated from operations		**18,565,152**		16,418,376
Interest received		**2,339,596**		1,368,346
Interest paid		**(5,317,631)**		(5,005,673)
Income tax paid		**(2,419,012)**		(2,807,878)
Net cash provided by operating activities	₱	**13,168,105**	₱	9,973,171

(Forward)

		March 2019		March 2018
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Sale/maturities of investments in bonds and other securities	₱	**117,456**	₱	280,806
Sale/redemptions of investments in associates and joint ventures		**11,162**		-
Disposals of:				
Property, plant and equipment		**1,116,100**		72,742
Investment properties		**-**		41,900
Maturities of (additions to) short-term investments		**2,544,416**		(4,307,320)
Deductions/transfers (additions) to:				
Service concession assets		**(2,150,827)**		(5,346)
Investments in associates and joint ventures		**(2,736,072)**		(9,643,532)
Property, plant and equipment		**(3,579,430)**		(2,190,523)
Investment properties		**(16,823,699)**		(8,798,115)
Land and improvements		**-**		(463,670)
Accounts and notes receivable - non-trade		**(335,202)**		(3,753,896)
Investment in bonds and other securities		**(1,093)**		(141,205)
Intangible assets		**(4,587,788)**		520,490
Dividends received from associates, joint ventures and investments in equity securities		**4,940,675**		4,276,875
Acquisitions through business combinations - net of cash acquired		**-**		(6,346,692)
Increase in other noncurrent assets		**(11,727,962)**		(4,177,270)
Net cash used in investing activities		**(33,212,264)**		(34,634,756)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short-term and long-term debt		**56,827,250**		25,626,225
Payments of short-term and long-term debt		**(38,590,510)**		(4,652,507)
Dividends paid		**(5,604,256)**		(3,239,937)
Service concession obligation paid		**(308,621)**		(221,852)
Collections of subscriptions receivable		**109,311**		-
Increase in:				
Other noncurrent liabilities		**15,590,318**		4,444,383
Non-controlling interests in consolidated subsidiaries		**4,860,366**		2,333,352
Net cash provided by financing activities		**32,883,858**		24,289,664
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**12,839,699**		(371,921)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**60,624,262**		64,259,279
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱	**73,463,961**	₱	63,887,358

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 47.04% owned by Mermac, Inc. and the rest by the public.

The Company is the holding company of the Ayala Group of Companies (collectively referred to as "the Group"), with principal business interests in real estate and hotels, financial services and insurance, telecommunications, water infrastructure, electronics solutions and manufacturing, industrial technologies, automotive, power generation, 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 May 9, 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

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those of the previous financial year, except for the new PFRS, amended PFRS, improvements to PFRS and interpretations which were adopted beginning January 1, 2019. The nature and the impact of each new standards and amendments are described below:

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

The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

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

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

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

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

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

  The Group applied PFRS 16 using the modified restrospective transition approach. Under the modified retrospective approach there are two sub-approaches as follows: [a] the lease liability is measured based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application. The carrying amount of the right-of-use asset is an amount equal to the carrying amount of the lease liability on the date of initial application; and [b] the cumulative effect of the initial application of the standard being recognized at January 1, 2019 in the opening retained earnings and the comparative periods were not restated.

  The following table shows the individual line items affected by the adjustments from the adoption of PFRS 16.

In thousand pesos		**Pre-PFRS 16**		**PFRS 16 Impact**		**Post-PFRS 16**
Income Statement						
Increase in rent and depreciation expenses	₱	158,972	₱	5,910	₱	164,882
ROU interest expense		-		50,496		50,496
Decrease in share in net profit of associates and joint ventures		-		13,696		-
Decline in Net Income	**₱**	**158,972**	**₱**	**70,101**	**₱**	**215,378**
Balance Sheet						
Right-of-use (ROU) Asset - net					**₱**	**2,352,853**
Lease Liability					**₱**	**2,344,925**

  - *Right-of-use assets*
    The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or

before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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

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

- 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 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**	**March 2019 (Unaudited)**	December 2018 (Audited)
AC Energy, Inc. (ACEI)	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. (AITHI/ACI)	Industrial Technology and Automotive	**100.0**	100.0
Ayala Aviation Corporation (AAC)	Air Charter	**100.0**	100.0
AC Education, Inc. (AEI)	Education	**100.0**	100.0
Ayala Land, Inc. (ALI)	Real Estate and Hotels	**46.0**	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. (AHHI)	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. (AVHC)	Investment Holding	**100.0**	100.0

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

Unless otherwise indicated, the principal place of business and country of incorporation of the 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 ₱1,268.0 million for LRT1 project (Cavite extension); AITHI amounting to ₱60.3 million for operating expenses and US$6.0 million, through ACIFL, for Merlin Solar projects; and AC Health amounting to ₱226.8 million for certain capital expenditure, clinic expansion and new business development.

b) Certain holders of the remaining AYCFL US$292.8 million guaranteed exchangeable bonds as of December 31, 2018 claimed the option to convert $112.9 million bonds into 144.8 million ALI ordinary common shares, bringing the balance of the guaranteed exchangeable bonds to US$179.9 million as of March 31, 2019.

The Group's effective ownership in ALI was reduced by 0.98% after this exchange.

a) 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.

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

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

c) On March 26, 2019, the approved resolution of the Toll Regulatory Board (TRB) on AC'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, AC is directed to publish the approved new rates (in accordance with TRB rules) and to submit proof of such publication.

ALI Group

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

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

c) The BOD of ALI also approved ALI's 2019 stock option program pursuant to their Employee Stock Ownership Plan (the Plan). The program authorizes the grant to qualified executives, in accordance with the terms of the Plan, 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.

c) The voting rights held by the Group in ALI as of March 31, 2019 and December 31, 2018 is equal to 68.2% and 68.7%, respectively.

MWC Group

a) On January 21, 2019, LAWC signed and executed a contractual JVA with the 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, MWPVI received a Notice to Proceed from the Municipality of Manaoag, Pangasinan, granting MWPVI a franchise for the provision and improvement of the water supply operation, maintenance, management, financing and expansion, and the provision of septage management in the Municipality of Manaoag. The franchise granted to MWPVI shall be for a term of twenty five (25) years, excluding two (2) years of construction.

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

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

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

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

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

IMI Group

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

   IMI Singapore received the deposits for future subscription amounting to $60.0 million as of March 31, 2019, pending allotment and actual issuance of shares.

b) In 2019, IMI finalized the purchase price allocation 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 $7.16 million and $2.58 million. The increase in intangible asset is attributable to the fair value of customer relationships. This resulted in recognition of P86M gain booked in the consolidated Other Income.

c) As of March 31, 2019, the Company and AITHI/ACI effectively own 52.1% of IMI. The voting rights held by the Group in IMI as of March 31, 2019 and December 31, 2018 is equal to 52.1%.

ACEI Group

a) On January 9, 2019, Phinma Corporation approved and signed the Heads of Agreement for the sale of its 1,283,422,198 shares in Phinma Energy Corporation (PHEN) representing 26.25% ownership interest to ACEI subject to the execution of the appropriate definitive agreements.

Further to the transaction, ACEI will acquire Phinma Corporation's and Phinma Inc.'s 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. ACEI will also subscribe to approximately 2.632 billion PHEN primary shares at par value.

On February 8, 2019, ACEI, Phinma Corporation and Phinma, Inc. signed the Investment Agreement.

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

On March 7, 2019, the Company clarified the news article entitled, "Ayala Energy plans divestment of oil and gas part of PHINMA acquisition" posted on Manila Bulletin (Internet Edition) on March 6, 2019. The Company clarified that there is no current plan to divest or unload the upstream petroleum part of PHINMA Energy Corporation. While there is currently no mandate for AC Energy to invest in oil and gas sector, the Company will require time to study what to do with the asset after completing the transaction (see Note 22).

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

b) On February 28, 2019, the PCC approved the acquisition of shares of stocks in AA Thermal by Aboitiz Power. The remaining conditions precedent are the approval of AA Thermal's application for capital increase with SEC and other deliverables customary for transactions of a similar nature (see Note 22).

AITHI / ACI Group

a) On January 17, 2019, KP Motor Corporations (KPMC), a wholly-owned subsidiary of AITHI, 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, AITHI relaunched the Kia brand in the Philippines wherein 3 new vehicle models were introduced.

b) On March 13, 2019, AITHI 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.

c) On March 25, 2019, AITHI and Roadworthy Cars, Inc. (RCI) executed a subscription agreement for additional subscriptions in KPMC that will result in AITHI's ownership at KPMC at 67.2% voting interest and 65% economic interest. AITHI also extended a loan to RCI amounting to P1.6 billion which bears interest at the rate of 8% per annum and is payable on or before year 2029.

d) On various dates between January to March 2019, the Parent Company infused additional capital to AITHI amounting to ₱1.84 billion to fund its various investments.

AC Infra Group

a) On various dates between January to March 2019, the Parent Company infused additional capital to AC Infra amounting to ₱1.55 billion to fund its various investments.

AEI Group

a) On January 31, 2019, AEI and IPO executed the Plan and Articles of Merger, as approved by the companies' respective boards of directors and stockholders. Subsequently on February 8, 2019, the merger has been submitted for approval with the SEC. Post-SEC approval, the merger shall be cleared with the BIR (see Note 22).

AHHI Group

a) On March 13, 2019, AHHI signed conditional agreements to subscribe to an additional 2.5% stake in the Generika group of companies, which is composed of Actimed, Inc., Erikagen, Inc., Novelis Solutions, Inc., and Pharm Gen Ventures Corp., (collectively, the "Generika Group"), hence, increasing its stake from 50% to 52.5%. Issuance of shares will only be made after the satisfaction of the conditions precedent.

b) On various dates between January to March 2019, the Parent Company infused additional capital to AHHI amounting to ₱1.25 billion to fund its various investments.

AAC

a) On various dates between January to March 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.

		March 2019 (Unaudited)		December 2018 (Audited)	
		(In Millions)			
Ayala Land, Inc. and Subsidiaries					
Current assets	**₱**	**269,274**	₱	302,830	
Non-current assets		**385,142**		365,991	
Current liabilities		**211,700**		240,785	
Non-current liabilities		**218,668**		207,815	
Equity					
Attributable to owners of the parent		**190,440**		187,300	
Attributable to non-controlling interest		**33,608**		32,921	
Revenue		**39,680**		36,977	*
Net income					
Attributable to owners of the parent		**7,322**		6,517	*
Attributable to non-controlling interest		**975**		1,064	*
Other comprehensive income		**134**		115	*
Manila Water Co. Inc. and Subsidiaries					
Current assets	**₱**	**11,612**	₱	13,449	
Non-current assets		**111,217**		123,352	
Current liabilities		**15,703**		22,708	
Non-current liabilities		**53,385**		46,697	
Equity					
Attributable to owners of the parent		**52,570**		52,490	
Attributable to non-controlling interest		**1,171**		1,131	
Revenue		**5,079**		4,713	*
Net income					
Attributable to owners of the parent		**1,233**		1,690	*
Attributable to non-controlling interest		**40**		39	*
Other comprehensive income		**(72)**		306	*
Integrated Microelectronics, Inc. and Subsidiaries					
Current assets	**US$**	**716**	US$	697	
Non-current assets		**395**		374	
Current liabilities		**469**		526	
Non-current liabilities		**176**		138	
Equity					
Attributable to owners of the parent		**458**		402	
Attributable to non-controlling interest		**7**		5	
Revenue		**323**		326	*
Net income					
Attributable to owners of the parent		**0**		6	*
Attributable to non-controlling interest		**(1)**		0	*
Other comprehensive income		**(6)**		5	*

***** *Based on unaudited March 31, 2018.*

As of March 31, 2019 (unaudited), the proportion of economic ownership held by material non-controlling interest of ALI, MWC and IMI are 54.0%, 48.6% and 47.9%, respectively.

4. Cash and Cash Equivalents

This account consists of the following:

		March 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Cash on hand and in banks	₱	**28,850,910**	₱	26,213,080
Cash equivalents		**44,613,051**		34,411,183
	₱	**73,463,961**	₱	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 ₱33.6 billion and ₱26.2 billion, as of March 31, 2019 (unaudited) and December 31, 2018 (audited), respectively (see Note 21).

5. Short-term Investments

This account consists of the following:

		March 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Money market placements	₱	**3,412,073**	₱	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 ₱42.4 million and ₱2,838.4 million, as of March 31, 2019 (unaudited) and December 31, 2018 (audited), respectively (see Note 21).

6. Accounts and Notes Receivable – net

This account consists of the following:

	March 2019 (Unaudited)	December 2018 (Audited)
	(In Thousands)	
Trade:		
Real estate	**₱ 33,759,307**	₱ 54,390,917
Electronics	**15,286,985**	16,202,397
Automotive	**2,758,072**	2,896,516
Water infrastructure	**2,048,666**	2,614,044
Power generation	**764,780**	1,072,345
Information technology and BPO	**241,938**	261,012
International and others	**98,039**	47,348
Advances to other companies	**25,643,468**	24,842,066
Receivable from related parties (Note 21)	**12,980,453**	8,964,594
Receivable from officers and employees (Note 21)	**1,268,539**	1,497,997
Dividend receivable	**455**	1,334,894
Receivable from Bonifacio Water Corporation (BWC)	**388,411**	388,411
Others	**1,518,244**	388,518
	96,757,357	114,901,059
Less allowance for expected credit losses	**3,053,393**	3,016,237
	93,703,964	111,884,822
Less noncurrent portion	**4,148,099**	6,366,250
	₱ 89,555,865	₱ 105,518,572

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

March 31, 2019 (Unaudited)

	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		
Trade:									
Real estate	₱ 29,502	₱ 842	₱ 492	₱ 489	₱ 487	₱ 1,808	₱ 4,118	₱ 139	₱ 33,759
Electronics manufacturing	12,259	1,510	815	142	51	453	2,972	56	15,287
Water infrastructure	320	88	35	31	27	386	566	1,163	2,049
Automotive	1,278	502	216	152	152	411	1,433	47	2,758
Power generation	722	-	-	-	-	-	-	43	765
Information technology and BPO	180	40	6	2	14	-	62	-	242
International and others	59	31	3	5	-	0	39	-	98
Receivable from related parties	11,146	592	268	181	100	731	1,871	22	13,039
Concession financial receivable	1,040	-	-	-	-	-	-	-	1,040
Receivable from officers and employees	942	12	161	8	8	137	325	2	1,269
Receivable from BWC	388	-	-	-	-	-	-	-	388
Others	1,325	9	10	34	7	38	99	34	1,457
TOTAL	₱ 59,162	₱ 3,626	₱ 2,005	₱ 1,042	₱ 847	₱ 3,965	₱ 11,486	₱ 1,504	₱ 72,152

The classes of trade receivables of the Group follow:

Real estate
Real estate receivables consist of:

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

- Others - pertain to receivables from hotel operations and other support services

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

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

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

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

The ALI Group sold real estate receivables on a without recourse basis to partner mortgage banks, which include BPI Family Savings Bank, a related party, totaling to ₱4,231 million in 1st quarter 2019 and ₱12,867 million in 2018. These were sold at discount with total proceeds of ₱3,937 million and ₱12,042 million, respectively. The ALI Group recognized loss on sale, under "Other Charges" amounting to ₱294 million and ₱825 million in 1st quarter 2019 and 2018, respectively.

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

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

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

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

Power generation
Power generation receivables pertain to ACEI 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 6.0% 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 ₱44.5 million and ₱27.0 million for the periods ended March 31, 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:

		March 31, 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Real estate inventories				
At cost	₱	**94,486,906**	₱	103,959,585
Vehicles		**3,807,570**		4,640,443
Finished goods		**105,376**		143,535
Work-in-process		**196,633**		250,143
Parts and accessories		**561,267**		541,906
Materials, supplies and others		**10,932,958**		11,502,053
		110,090,711		121,037,666
Less: Allowance for inventory obsolescence and decline in value*		**468,339**		477,173
	₱	**109,622,371**	₱	120,560,493

**Excluding allowance for real estate inventories*

The Group's provision for inventory obsolescence amounted to ₱12.5 million and negative ₱15.9 million (net reversal mainly coming from IMI group) for the period ended March 31, 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:

		March 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Prepaid expenses	₱	**25,612,464**	₱	13,546,821
Input VAT		**16,334,875**		15,694,759
Advances to contractors		**11,760,758**		11,452,729
Financial assets at FVPL		**9,664,993**		9,236,804
Noncurrent assets held for sale		**7,176,000**		10,162,121
Creditable withholding tax		**4,904,062**		4,771,550
Concession financial receivable		**154,894**		193,199
Deposits in escrow		**322,666**		322,666
Derivative assets		**67,169**		65,788
Others		**4,071,852**		2,443,710
Other current assets	₱	**80,069,732**	₱	54,343,326
Other noncurrent assets	₱	**40,950,983**	₱	26,698,734
Advances to contractors		**7,325,293**		10,272,615
Investments in bonds and other securities		**2,864,612**		3,034,245
Pension assets		**82,005**		82,005
Other noncurrent assets	₱	**51,222,893**	₱	40,087,599

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

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

9. Contract Balances

The contract balances of the Group consist of the following:

		March 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Contract Assets				
Current	₱	**62,335,190**	₱	52,209,458
Noncurrent		**37,933,835**		35,929,990
Total Contract Assets	₱	**100,269,025**	₱	88,139,448
Contract Liabilities				
Current	₱	**21,910,156**	₱	21,988,850
Noncurrent		**9,336,280**		8,630,235
Total Contract Liabilities	₱	**31,246,436**	₱	30,619,085

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

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

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

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

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

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

	% of Economic Ownership		Carrying Amounts	
	March 2019 (Unaudited)	December 2018 (Audited)	**March 2019 (Unaudited)**	December 2018 (Audited)
Domestic:			(In Millions)	
Bank of the Philippine Islands (BPI)	**32.9**	32.9	**₱ 104,405**	₱ 101,691
Liontide Holdings Inc. (LHI)*	**78.1**	78.1	**46,473**	45,291
Globe Telecom, Inc. (Globe)*	**30.9**	30.9	**24,384**	23,215
OCLP Holdings, Inc. (OHI)	**21.0**	21.0	**8,214**	8,118
Light Rail Manila Holdings, Inc. (LRMHI)	**50.0**	50.0	**4,457**	3,417
Emerging City Holdings, Inc. (ECHI)*	**50.0**	50.0	**3,986**	3,911
South Luzon Thermal Energy Corp. (SLTEC)*	**35.0**	35.0	**3,080**	3,042
GNPower Mariveles Coal Plant Ltd. Co (GMCP)	**20.4**	20.4	**3,008**	2,781
ALI-ETON Property Development Corporation*	**50.0**	50.0	**2,112**	2,109
GNPower Dinginin Ltd. Co. (GNP Dinginin)*	**50.0**	50.0	**2,000**	2,023
Berkshire Holdings, Inc. (BHI)*	**50.0**	50.0	**1,965**	1,933
AKL Properties, Inc.*	**50.0**	50.0	**1,942**	1,943
Cebu District Property Enterprise, Inc. (CDPEI)*	**35.0**	35.0	**1,458**	1,464
Bonifacio Land Corporation (BLC)	**10.0**	10.0	**1,457**	1,428
Asiacom Philippines, Inc. (Asiacom)*	**60.0**	60.0	**1,302**	1,308
BF Jade E-Services Philippines, Inc. (BF Jade/Zalora)	**44.7**	44.7	**877**	930
Alveo-Federal Land Communities, Inc.*	**50.0**	50.0	**806**	789
Rize-Ayalaland (Kingsway) GP Inc. (Rize-Ayalaland)	**49.0**	49.0	**681**	794
Generika Group *	**50.0**	50.0	**469**	474
Philippine Wind Holdings Corporation (PWHC)*	**42.9**	42.9	**363**	1,420
Globe Fintech Innovations, Inc. (GFI/Mynt)	**10.0**	10.0	**79**	192
Foreign:				
Star Energy Salak-Darajat B.V. (Salak-Darajat) (incorporated in Indonesia)	**19.8**	19.8	**10,520**	10,280
Eastern Water Resources Development and Management Public Company Limited (East Water) (incorporated in Thailand)	**20.0**	20.0	**8,897**	8,623
Thu Duc Water B.O.O. Corporation (TDW) (incorporated in Vietnam)	**49.0**	49.0	**3,130**	3,074
Kenh Dong Water Supply Joint Stock Company (KDW) (incorporated in Vietnam)	**47.4**	47.4	**2,746**	2,721
BIM Renewable / Energy Group	**30.0**	30.0	**2,412**	2,360
UPC Renewables Australia (incorporated in Australia)*	**50.0**	50.0	**1,444**	1,462
New Energy Investments Corporation (incorporated in Vietnam)*	**50.0**	50.0	**1,248**	1,131
Saigon Water Infrastructure Joint Stock Company (Saigon Water) (incorporated in Vietnam)	**38.0**	38.0	**1,165**	1,172
UPC Sidrap HK Ltd. (incorporated in Indonesia)*	**11.0**	11.0	**325**	334
UPC Renewables Asia III Ltd. (incorporated in Indonesia)*	**51.0**	51.0	**103**	103
Others	**Various**	Various	**866**	608
			₱ 246,374	₱ 240,141

** Joint ventures*

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

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

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

BPI Group

BPI's Consolidated Statements of Condition

		March 2019 (Unaudited)		December 2018 (Audited)
		(In Millions)		
Total Resources	₱	**2,084,598**	₱	2,085,228
Total Liabilities	₱	**1,824,336**	₱	1,833,690
Capital Funds Attributable to the Equity Holders of BPI		**257,107**		248,521
Capital Funds Attributable to the Noncontrolling Interest		**3,154**		3,017
Total Liabilities and Capital Funds	₱	**2,084,598**	₱	2,085,228

BPI's Consolidated Statements of Income

		March 2019 (Unaudited)		March 2018 (Unaudited)
		(In Millions, except earnings per share)		
Interest Income	₱	**24,819**	₱	17,953
Other Income		**6,732**		5,938
Total Revenues		**31,551**		23,891
Operating Expenses		**12,068**		9,747
Interest Expense		**8,766**		5,441
Impairment Losses		**1,803**		785
Provision for Income Tax		**2,127**		1,618
Total Expenses		**24,764**		17,591
Net Income for the Period	₱	**6,787**	₱	6,300
Attributable to:				
Equity Holders of BPI	₱	**6,723**		6,247
Noncontrolling Interest		**64**		53
	₱	**6,787**	₱	6,300
EPS	₱	**1.49**	₱	1.58

a) On January 29, 2019, total cash dividends paid to common stockholders of record as January 8, 2019 amounted to ₱4.0 billion.

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

c) The Parent Company's share in the net identifiable assets of BPI as of March 31, 2019 (unaudited) amounted to ₱85.7 billion. No dividends received from BPI for the period ended March 31, 2019 (unaudited). The fair market value of the Parent Company's investment in BPI as of March 31, 2019 (unaudited) amounted to ₱124.9 billion.

LHI

a) As of March 31, 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 ₱76.1 billion as of March 31, 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

		March 2019 (Unaudited)		December 2018 (Audited)
		(In Millions)		
Current Assets	₱	**66,825**	₱	73,523
Noncurrent Assets		**229,713**		225,975
Total Assets	₱	**296,538**	₱	299,498
Current Liabilities	₱	**77,228**	₱	85,466
Noncurrent Liabilities		**142,405**		140,889
Equity Attributable to Equity Holders of the Parent		**76,883**		73,119
Equity Attributable to Noncontrolling Interest		**22**		24
Total Liabilities and Equity	₱	**296,538**	₱	299,498

Globe's Consolidated Statements of Income

		March 2019 (Unaudited)		March 2018 (Unaudited)
		(In Millions, except earnings per share)		
Revenues	₱	**40,636**	₱	36,675
Other Income (Losses)		**(153)**		750
Total Revenues		**40,483**		37,425
Costs and Expenses		**30,687**		30,382
Provision for Income Tax		**3,066**		2,362
Total Expenses		**33,753**		32,744
Net Income	₱	**6,730**	₱	4,681
Total Net Income Attributable to:				
Equity Holders of the Parent	₱	**6,733**		4,685
Noncontrolling Interest		**(3)**		(4)
Net Income	₱	**6,730**	₱	4,681
EPS:				
Basic	₱	**49.54**	₱	34.15
Diluted	₱	**49.33**	₱	34.09

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

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

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

c) The Parent Company's share in the net identifiable assets of Globe as of March 31, 2019 (unaudited) amounted to ₱23.8 billion. Dividends received from Globe for the period ended March 31, 2019 (unaudited) amounted to ₱936 million. The fair value of the Company's investment in Globe as of March 31, 2019 (unaudited) amounted to ₱79.8 billion.

ACEI Group

a) In accordance with the share purchase agreement with Aboitiz Power Corp, the ACEI Group reclassified portion of its effective holdings in GMCP and GNPD as asset held for sale as of March 31, 2019. The closing of the agreement, however, is subject to certain conditions precedent that have not yet materialized as of date. Accordingly, the effective ownership of the ACEI Group remains unchanged as of March 31, 2019.

11. Intangible Assets and Deferred Tax Assets

		March 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Intangible assets	₱	**21,035,413**	₱	16,553,369
Deferred tax assets - net	₱	**15,409,429**	₱	15,546,040

Increase in intangible assets is related to ALI's leasehold rights.

12. Investment Properties and Property, Plant and Equipment

		March 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Investment Properties	₱	**243,566,466**	₱	227,645,548
Property, plant and equipment - net	₱	**104,441,968**	₱	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, ₱94,708 million and ₱84,439 million as of March 31, 2019 (unaudited) and December 31, 2018 (audited), respectively; Investment in Building, ₱93,338 million and ₱87,791 million as of March 31, 2019 (unaudited) and December 31, 2018 (audited), respectively; and Construction-in-Progress, ₱55,415 million as of March 31, 2019 (unaudited) and December 31, 2018 (audited); net of accumulated depreciation and amortization and impairment loss.

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

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:

		March 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Accounts payable	₱	**96,531,134**	₱	120,312,117
Accrued expenses				
Project costs		**18,617,192**		18,641,346
Personnel costs		**8,184,953**		9,078,336
Professional and management fees		**5,811,029**		5,422,587
Rental and utilities		**4,744,496**		3,741,150
Repairs and maintenance		**2,172,629**		3,093,319
Advertising and promotions		**1,547,747**		1,416,910
Various operating expenses		**4,766,870**		3,479,680
Taxes payable		**19,995,351**		20,688,048
Liability for purchased land		**11,086,000**		2,544,623
Retentions payable		**5,548,462**		6,762,286
Interest payable		**4,398,312**		4,137,612
Related parties (Note 21)		**2,155,667**		1,072,551
Dividends payable		**1,307,660**		4,131,317
DRP Obligation		**236,362**		236,362
	₱	**187,103,864**	₱	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.

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

15. Other Current and Noncurrent Liabilities

		March 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Other current liabilities	₱	**19,344,860**	₱	11,129,234
Other noncurrent liabilities	₱	**60,483,923**	₱	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 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.

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. Other nontrade payables which include IMI Group's contingent consideration arising from the acquisition of STI. This also includes warranty and other payables.

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

16. Short-term and Long-term Debt

These accounts consist of the following:

		March 2019 (Unaudited)		December 2018 (Audited)
		(In Thousands)		
Short-term debt - Subsidiaries:				
Philippine peso with various interest rates	₱	**17,946,622**	₱	18,120,547
Foreign currency with various interest rates		**7,659,990**		21,397,698
	₱	**25,606,612**	₱	39,518,245
Long-term debt:				
The Parent Company:				
Bank loans with various interest rates	₱	**29,450,568**	₱	27,405,387
Bonds		**39,773,674**		39,762,594
		69,224,242		67,167,981
Subsidiaries:				
Loans from banks & other institutions:				
Philippine Peso with various interest rates		**82,441,291**		76,558,056
Foreign currency with various interest rates		**80,549,742**		68,364,538
Bonds		**105,063,933**		105,368,774
Green bonds		**21,559,836**		-
Fixed for life bonds		**20,893,253**		20,918,114
Exchangeable bonds		**9,413,268**		15,285,934
Fixed Rate Corporate Notes (FXCNs)		**11,985,675**		11,986,615
Short-dated notes		**4,182,530**		7,093,375
		336,089,528		305,575,406
		405,313,770		372,743,387
Less current portion		**40,856,816**		48,480,559
Non-current portion	₱	**364,456,954**	₱	324,262,828

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

As of March 31, 2019 (unaudited), total proceeds from availment of short-term and long-term debt amounted to ₱57.1 billion which consists mainly of proceeds from bonds and loans of Ayala (₱3.5 billion), ALI (₱18.2 billion), MWC (₱8.7 billion), ACEI (₱21.6 billion) and AYCFL (₱4.7 billion), while payments of short-term and long-term debt amounted to ₱38.6 billion which pertains to loan payment of AC (₱1.5 billion), ALI (₱15.3 billion), AYCFL (₱5.9 billion), ACEI (₱4.6 billion) and MWC (₱10.6 billion).

The Group has short-term and long-term debt payable to BPI amounting to ₱34.2 billion and ₱32.3 billion as of March 31, 2019 (unaudited) and December 31, 2018 (audited), respectively (see Note 21). Interest expense incurred from these debts amounted to ₱344.2 million and ₱97.4 million for the period ending March 31, 2019 and 2018 (both unaudited), respectively (see Note 21).

Loans availed during March 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 year include, among others, the following:

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

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

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

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

ACEI Group
On January 29, 2019, ACEI, 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 ACEI'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 ACEI.

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

				Carrying Value (In Thousands)		
Year Issued	**Term**	**Interest Rate**	**Principal Amount** (In Thousands)	**March 2019 (Unaudited)**	December 2018 (Audited)	**Features**
2011	10 years	6.800%	10,000,000	₱ **9,973,397**	₱ 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	**9,947,806**	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	**9,931,561**	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	**9,920,909**	9,918,003	Callable from the 6.5th anniversary issue until every year thereafter
			₱ 40,000,000	₱ **39,773,673**	₱ 39,762,594	

AYCFL
<u>US$400.0 Million Senior Unsecured and Guaranteed Fixed For Life Perpetual Notes ("Notes")</u>
On September 7, 2017, the Company announced that it had successfully set the terms of a US dollar-denominated fixed-for-life (non-deferrable) senior perpetual issuance at an aggregate principal amount of US$400 million with an annual coupon of 5.125% for life with no step-up. The

issuance is the first corporate fixed-for-life with no coupon step-up in Southeast Asia and the first fixed-for-life with no step-up (and reset) deal in the Philippines. The issuer, AYCFL, may redeem the Notes in whole but not in part on September 13, 2022 (first redemption date) or any interest payment date falling after the first redemption date at 100% of the principal amount of the Notes plus any accrued but unpaid interest. The proceeds of the issuance will be used to refinance the issuer's US Dollar maturing obligations and to fund investments of the Guarantor (the Company) or its offshore subsidiaries.

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

The Group will account for this as liability, and, thus shown forming part of long-term debt as of March 31, 2019.

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

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

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

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

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

For the period March 31, 2019, an equivalent amount of USD112.9 million principal was exchanged and converted into a total of 144.8 million ALI shares resulting in gain of ₱4.8 billion which was booked under Equity Reserve (see Note 2).

As of March 31, 2019 and December 31, 2018, the unamortized discount of the Bonds amounted to ₱31.4 million (unaudited) and ₱109.5 million (audited), respectively. Interest expense recognized in the statement of income amounted to ₱98.4 million (unaudited) and ₱93.4 million (unaudited) for the period ended March 31, 2019 and 2018, respectively.

17. Equity

Details of the Company's paid-up capital:

	Preferred Stock - A	Preferred Stock - B	Preferred Stock - Voting	Common Stock	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital
				(In Thousands)				
At January 1, 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	**-**	**-**	**-**	**(28,995,792)**	**28,995,792**	**-**	**109,311**	**109,311**
At March 31, 2019 (Unaudited)	**₱1,200,000**	**₱5,800,000**	**₱200,000**	**₱ 2,344,925**	**₱29,186,450**	**₱46,156,018**	**₱ (1,416,407)**	**₱83,470,986**
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

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

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	(In Thousands)	
Consolidated retained earnings	**₱ 205,160,437**	₱ 196,914,989
Accumulated equity in net earnings of subsidiaries, associates and joint ventures	**(160,758,586)**	(160,580,138)
Deferred tax asset - net	**-**	-
Treasury shares	**(2,300,000)**	(2,300,000)
Retained Earnings available for dividends	**₱ 42,101,851**	₱ 34,034,851

There was no dividends declared by the Parent Company for the period ended March 31, 2019, while the table below shows the details on the dividends declared for the year ended December 31, 2018:

	December 2018 (Audited)
(In Thousands, except dividends per share)	
Dividends to common shares:	
Cash dividends declared during the year	₱ 4,333,459
Cash dividends per share	6.92
Dividends to equity preferred shares declared during the year	
Cash dividends to Preferred B shares	1,277,625
Cash dividends to Voting Preferred shares	7,390

18. Earnings Per Share

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

		March 2019 (Unaudited)		March 2018 (Unaudited)
		(In Thousands, except EPS figures)		
Net income attributable to the owners of the Parent Company	₱	**8,031,010**	₱	7,657,012
Less dividends on preferred stock		**(319,406)**		(319,406)
		7,711,604		7,337,606
Less profit impact of assumed conversions of potential ordinary shares of investees		**(63,555)**		(83,007)
	₱	**7,648,049**	₱	7,254,599
Weighted average number of common shares		**630,630**		621,297
Dilutive shares arising from stock options		**2,482**		2,417
Adjusted weighted average number of common shares for diluted EPS		**633,112**		**623,714**
Basic EPS	₱	**12.23**	₱	**11.81**
Diluted EPS	₱	**12.08**	₱	**11.63**

19. Segment Information

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

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

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

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

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

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

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

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

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

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

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

For the years ended March 31, 2019, December 31, 2018 and September 30, 2017, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

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

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

March 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	₱ 66	₱ 37,429	₱ -	₱ -	₱ 4,461	₱ 16,577	₱ 1,002	₱ 6,531	₱ -	₱ 66,066
Intersegment	39	8	-	-	135	30	39	106	(357)	-
Share of profit of associates and joint ventures	3	259	3,159	2,077	207	-	329	(110)	-	5,924
Interest income	100	1,890	-	-	163	5	149	26	2	2,335
Dividend income	-	-	-	-	-	-	13	-	-	13
	208	39,586	3,159	2,077	4,966	16,612	1,532	6,553	(355)	74,338
Costs and expenses										
Costs of sales and services	-	23,489	-	-	1,947	15,110	848	6,332	(1,102)	46,624
General and administrative	538	1,984	-	-	1,332	1,311	550	930	652	7,297
	538	25,473	-	-	3,279	16,421	1,398	7,262	(450)	53,921
Other income (charges)										
Other income	10	96	-	-	1,921	209	180	127	1,012	3,555
Interest and other financing charges	(1,467)	(3,063)	-	-	(533)	(170)	(313)	(126)	76	(5,596)
Other charges	-	-	-	-	(1,420)	-	-	-	-	(1,420)
	(1,457)	(2,967)	-	-	(32)	39	(133)	1	1,088	(3,461)
Net income (loss) before income tax	(1,787)	11,146	3,159	2,077	1,655	230	1	(708)	1,183	16,956
Provision for (benefit from) income tax	11	2,916	-	-	567	81	51	27	(47)	3,606
Net income (loss)	₱ (1,798)	₱ 8,230	₱ 3,159	₱ 2,077	₱ 1,088	₱ 149	₱ (50)	₱ (735)	₱ 1,230	₱ 13,350
Other information										
Segment assets	₱ 47,427	₱ 649,069	₱ -	₱ -	₱ 120,260	₱ 58,221	₱ 99,842	₱ 35,069	₱ (27,136)	₱ 982,752
Investments in associates and joint ventures	173,461	23,513	-	-	16,344	-	24,819	8,236	-	246,373
Deferred tax assets	80	13,055	-	-	1,343	66	41	427	398	15,410
Total Assets	₱ 220,968	₱ 685,637	₱ -	₱ -	₱ 137,947	₱ 58,287	₱ 124,702	₱ 43,732	₱ (26,738)	₱ 1,244,535
Segment liabilities	₱ 139,252	₱ 455,603	₱ -	₱ -	₱ 68,972	₱ 33,539	₱ 68,920	₱ 11,689	₱ (31,386)	₱ 746,589
Deferred tax liabilities	80	6,003	-	-	3,817	343	757	165	46	11,211
Total Liabilities	₱ 139,332	₱ 461,606	₱ -	₱ -	₱ 72,789	₱ 33,882	₱ 69,677	₱ 11,854	₱ (31,340)	₱ 757,800
Depreciation & amortization	₱ 67	₱ 2,033	₱ -	₱ -	₱ 818	₱ 596	₱ 104	₱ 335	₱ (4)	₱ 3,949
Non-cash expenses other than depreciation & amortization	₱ -	₱ -	₱ -	₱ -	₱ 18	₱ 6	₱ -	₱ 33	₱ -	₱ 57
Segment additions to property, plant and equipment and investment properties	₱ 18	₱ 17,214	₱ -	₱ -	₱ 329	₱ 527	₱ 299	₱ 412	₱ 1,604	₱ 20,403
Cash flows provided by (used in):										
Operating activities	₱ 1,885	₱ 9,262	₱ -	₱ -	₱ 1,765	₱ (563)	₱ 1,870	₱ 1,378	₱ (2,429)	₱ 13,168
Investing activities	₱ (776)	₱ (18,692)	₱ -	₱ -	₱ (276)	₱ (999)	₱ (5,712)	₱ (6,253)	₱ (504)	₱ (33,212)
Financing activities	₱ (1,269)	₱ 5,312	₱ -	₱ -	₱ (3,558)	₱ 3,163	₱ 18,480	₱ 7,823	₱ 2,933	₱ 32,884

March 2018 (Unaudited)
(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Infrastructure	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Revenue										
Sales to external customers	₱ 64	₱ 35,295	₱ -	₱ -	₱ 4,277	₱ 16,640	₱ 900	₱ 6,837	₱ -	₱ 64,013
Intersegment	43	(25)	-	-	117	-	155	83	(373)	-
Share of profit of associates and joint ventures	103	161	2,985	1,450	109	-	356	(118)	-	5,046
Interest income from real estate	-	993	-	-	-	-	-	-	-	993
Dividend income	58	-	-	-	-	-	181	-	-	239
	268	36,424	2,985	1,450	4,503	16,640	1,592	6,802	(373)	70,291
Costs and expenses										
Costs of sales and services	-	22,079	-	-	1,727	14,842	736	5,828	(219)	44,993
General and administrative	739	1,972	-	-	828	1,336	252	1,364	(145)	6,346
	739	24,051	-	-	2,555	16,178	988	7,192	(364)	51,339
Other income (charges)										
Interest income	81	180	-	-	106	3	12	12	-	394
Other income	(7)	367	-	-	3,447	113	546	430	(27)	4,869
Interest and other financing charges	(1,067)	(2,594)	-	-	(389)	(169)	(53)	(65)	-	(4,337)
Other charges	-	-	-	-	(3,086)	-	-	-	-	(3,086)
	(993)	(2,047)	-	-	78	(53)	505	377	(27)	(2,160)
Net income (loss) before income tax	(1,464)	10,326	2,985	1,450	2,026	409	1,109	(13)	(36)	16,792
Provision for (benefit from) income tax	3	2,751	-	-	420	113	565	58	(9)	3,901
Net income (loss)	₱ (1,467)	₱ 7,575	₱ 2,985	₱ 1,450	₱ 1,606	₱ 296	₱ 544	₱ (71)	₱ (27)	₱ 12,891
Depreciation & amortization	₱ 79	₱ 1,532	₱ -	₱ -	₱ 788	₱ 454	₱ 73	₱ 137	₱ -	₱ 3,063
Non-cash expenses other than depreciation & amortization	₱ -	₱ 1	₱ -	₱ -	₱ 25	₱ (17)	₱ -	₱ 20	₱ -	₱ 29
Segment additions to property, plant and equipment and investment properties	₱ 93	₱ 14,124	₱ -	₱ -	₱ 365	₱ 765	₱ 892	₱ 214	₱ 1,836	₱ 18,289
Cash flows provided by (used in):										
Operating activities	₱ (1,906)	₱ 12,946	₱ -	₱ -	₱ 392	₱ (636)	₱ (1,870)	₱ (942)	₱ (4,807)	₱ 3,177
Investing activities	₱ (2,238)	₱ (30,605)	₱ -	₱ -	₱ (7,588)	₱ (2,963)	₱ (2,877)	₱ (4,329)	₱ 21,623	₱ (28,977)
Financing activities	₱ 1,371	₱ 19,271	₱ -	₱ -	₱ 5,612	₱ 5,343	₱ 5,934	₱ 4,296	₱ (16,399)	₱ 25,428

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

20. Financial Instruments

Fair Value of Financial and Nonfinancial Instruments

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

	March 2019 (Unaudited)		December 2018 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FINANCIAL ASSETS AT FVTPL				
Held for trading	**₱ 9,664,993**	**₱ 9,664,993**	₱ 9,236,804	₱ 9,236,804
Derivative assets				
Embedded	**65,324**	**65,324**	65,324	65,324
Freestanding	**1,452**	**1,452**	464	464
Total financial assets at FVTPL	**9,731,769**	**9,731,769**	9,302,592	9,302,592
AT AMORTIZED COST				
Accounts and notes receivables				
Trade receivables				
Real estate	**33,759,307**	**33,916,396**	54,390,916	54,548,005
Nontrade receivables				
Receivable from officers and employees	**1,268,539**	**1,266,162**	1,497,998	1,488,987
Concession financial receivable	**1,040,458**	**1,093,864**	1,517,892	2,358,369
Total at amortized cost	**36,068,304**	**36,276,422**	57,406,806	58,395,361
FINANCIAL ASSETS AT FVOCI				
Quoted equity investments	**2,160,132**	**2,160,132**	2,058,460	2,058,460
Unquoted equity investments	**704,480**	**704,480**	975,785	975,785
Total financial assets at FVOCI	**2,864,612**	**2,864,612**	3,034,245	3,034,245
OTHER FINANCIAL ASSETS				
Deposits	**2,856,412**	**2,856,412**	2,801,248	2,801,248
Total other financial assets	**2,856,412**	**2,856,412**	2,801,248	2,801,248
Total financial assets	**₱ 51,521,097**	**₱ 51,729,215**	₱ 72,544,891	₱ 73,533,446
FINANCIAL LIABILITIES AT FVTPL				
Other noncurrent liabilities -				
Contingent consideration	**₱ 195,622**	**₱ 195,622**	₱ 195,920	₱ 195,920
Financial liabilities on put option	**1,376,161**	**1,376,161**	1,371,226	1,371,226
Derivative liabilities				
Embedded	**3,899**	**3,899**	-	-
Total financial liabilities at FVPL	**1,575,682**	**1,575,682**	1,567,146	1,567,146
OTHER FINANCIAL LIABILITIES				
Long-term debt	**405,313,770**	**378,903,890**	372,743,387	360,945,172
Short term debt	**-**	**-**	-	-
Service concession obligation	**8,083,231**	**8,732,891**	7,839,013	8,693,080
Deposits and other noncurrent liabilities	**50,150,378**	**48,737,839**	35,141,427	31,241,007
Total other financial liabilities	**463,547,379**	**436,374,620**	415,723,827	400,879,259
Total financial liabilities	**₱ 465,123,061**	**₱ 437,950,302**	₱ 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 instrument – The fair value of the freestanding currency forwards is based on counterparty valuation. Derivative asset – The fair value is estimated using a modified stock price binomial tree model for convertible callable bonds.

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

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

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

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

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

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

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

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

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

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

March 31, 2019 (unaudited)

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring financial assets measured at fair value				
Financial assets at FVPL	₱ -	₱ -	₱ 9,664,993	₱ 9,664,993
Derivative assets				
Embedded	-	-	65,324	65,324
AFS financial assets				
Quoted equity investments	1,064,644	1,095,488	-	2,160,132
Unquoted equity investments	-	-	704,480	704,480
	₱ 1,064,644	₱ 1,095,488	₱ 10,436,249	₱ 12,596,381
Recurring financial assets for which fair values are disclosed:				
Trade and nontrade receivables	₱ -	₱ -	₱ 35,182,558	₱ 35,182,558
Concession financial receivable	-	-	1,093,864	1,093,864
Deposits	-	-	2,856,412	2,856,412
	₱ -	₱ -	₱ 39,132,834	₱ 39,132,834
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	₱ -	₱ -	₱ 1,376,161	₱ 1,376,161
Contingent consideration (noncurrent liability)	-	-	195,622	195,622
Derivative liabilities				
Embedded	-	-	3,899	3,899
	₱ -	₱ -	₱ 1,575,682	₱ 1,575,682
Recurring financial liabilities for which fair values are disclosed:				
Long-term debt	₱ -	₱ -	₱ 378,903,890	₱ 378,903,890
Short term debt	-	-	-	-
Service concession obligation	-	-	8,732,891	8,732,891
Deposits and Other noncurrent liabilities	-	-	48,737,839	48,737,839
	₱ -	₱ -	₱ 436,374,620	₱ 436,374,620
Nonfinancial assets for which fair values are disclosed:				
Investments in associates and joint ventures*	₱ 280,782,830	₱ -	₱ -	₱ 280,782,830
Investment properties	-	-	440,253,187	440,253,187
	₱ 280,782,830	₱ -	₱ 440,253,187	₱ 721,036,017

**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
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	₱	-	₱ -	₱	1,371,212	₱	1,371,212
Contingent consideration (noncurrent liability)		-	-		195,920		195,920
Derivative liabilities							
Freestanding		-	-		-		-
	₱	-	₱ -	₱	1,567,132	₱	1,567,132
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:							
Investment properties	₱	-	₱ -	₱	338,357,200	₱	338,357,200
Investments in associates and joint ventures*		320,407,782	-		-		320,407,782
	₱	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 $1.80 million. Decrease in growth rate by 1% would result in a fair value increase of $2.30 million.
		Discount rate	10%-12% (11%)	1% increase in discount rate would result in a decrease in fair value by $1.38 million. Decrease in discount rate by 1% would result in a fair value increase of $1.76 million.
		Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by $0.71 million. Decrease in the probability to 1% would result in a decrease in fair value by $1.07 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:

Financial Assets at FVPL	**March 2019 (Unaudited)**	December 2018 (Audited)
Balance at beginning of year	₱ **9,151,080**	₱ 5,980,607
Adoption of PFRS 9	**-**	1,087,593
Additions	**527,827**	4,939,944
Disposals/ redemptions/ return of capital	**-**	(3,253,958)
Recognized in consolidated statement of income	**(2,680)**	996,170
Exchange difference	**(11,234)**	(599,276)
Balance at end of period	₱ **9,664,993**	₱ 9,151,080

Financial Liabilities at FVPL	**March 2019 (Unaudited)**	December 2018 (Audited)
Balance at beginning of year	₱ **1,567,132**	₱ 2,341,091
Additions	**-**	-
Reversal	**-**	(1,120,166)
Recognized in statement of income	**(8,220)**	283,022
Exchange difference	**12,871**	63,185
Balance at end of period	₱ **1,571,783**	₱ 1,567,132

Derivatives

		March 2019 (Unaudited)		December 2018 (Audited)
Derivative Assets				
Prepayment option of ACEI	₱	**65,324**	₱	65,324
Currency forward of AIVPL		**1,452**		464
	₱	**66,776**	₱	65,788
Derivative Liabilities				
Forward contract of ACEI and AC	₱	**19,599**	₱	15,700
	₱	**19,599**	₱	15,700

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

Derivative Assets

		March 2019 (Unaudited)		December 2018 (Audited)
Balance at beginning of year	₱	**65,788**	₱	85,347
Fair value of currency forwards		**988**		-
Net changes in fair value of derivatives		**-**		45,499
		66,776		130,846
Fair value of settled instruments		**-**		(65,058)
Balance at end of period	₱	**66,776**	₱	65,788

Derivative Liabilities

		March 2019 (Unaudited)		December 2018 (Audited)
Balance at beginning of year	₱	**15,700**	₱	7,328
Net changes in fair value of derivatives		**3,899**		15,700
		19,599		23,028
Fair value of settled instruments				(7,328)
Balance at end of period	₱	**19,599**	₱	15,700

No other financial assets or liabilities are carried at fair value as of March 31, 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 March 31, 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	327,218	₱	17,279,202	₱1.00	₱ 327,218
					(1.00)	(327,218)
Japanese Yen (JPY)	JPY	(29,765,812)	₱	(14,198,461)	1.00	(29,765,812)
					(1.00)	29,765,812
Thai Baht (THB)	THB	(5,285,483)	₱	(8,724,661)	1.00	(5,285,483)
					(1.00)	5,285,483
Euro (EUR)	EUR	36,959	₱	2,179,165	1.00	36,959
					(1.00)	(36,959)
Chinese RMB (RMB)	RMB	99,281	₱	774,078	1.00	99,281
					(1.00)	(99,281)
Vietnam Dong (VND)	VND	2,375,565	₱	5,447	1.00	2,375,565
					(1.00)	(2,375,565)

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

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

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

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

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

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

21. Related Party Transactions

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

The Group, in its regular conduct of business, has entered into transactions with associates, joint ventures and other related parties principally consisting of advances, loans and reimbursement of expenses, purchase and sale of real estate properties, various guarantees, construction contracts, and development, management, underwriting, marketing and administrative service agreements. Sales and purchases of goods and services as well as other income and expense to and from related parties are made at normal commercial prices and terms. The terms and other details of the March 31, 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 ₱33,656.7 million and ₱29,081.0 million, as of March 31, 2019 (unaudited) and December 31, 2018 (audited), respectively (see Notes 4 and 5). The Other Noncurrent Assets account as of March 31, 2019 (unaudited) and December 31, 2018 (audited) includes ₱4,504.6 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 ₱34,245.4 million and ₱32,336.6 million as of March 31, 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 2018 and varying schedules of payments for interest (see Note 16).

Receivable from Related Parties
The Group has ₱12,980.5 million and ₱8,964.6 million receivable from related parties as of March 31, 2019 (unaudited) and December 31, 2018 (audited) respectively. Increase in receivable from related parties pertain to real estate group accounts. The balances pertain mostly to interest and non-interest bearing advances with various maturities from 30 days to 2 years. Advances include certain residential development projects which become due as soon as the projects are completed. The receivables also include certain trade receivables arising from automotive and other sales. This account also includes other receivables relating to reimbursement of operating expenses like management fees, among others. The trade and other receivables are unsecured, interest free, will be settled in cash and are due and demandable (see Note 6).

Receivables from Officers and Employees
The Group has ₱1,268.5 million and ₱8,964.6 million receivables from officers and employees as of March 31, 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 ₱2,155.7 million and ₱1,072.6 million as of March 31, 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 ₱618.7 million and ₱301.7 million from related parties and incurred total expenses of ₱192.6 million and ₱152.6 million for the periods ended March 31, 2019 and 2018, respectively (both unaudited). These 2019 amounts represent 0.9% and 0.4% of the Group's total income and expenses, respectively. These consist of, among others, income from real estate, automotive sales, professional services and interest/financing as well as expenses on interest, water utilities, communications and professional fees (see Note 16).

22. Events after the Reporting Period

Parent Company

a) 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 P50-billion profit" posted on Manila Standard (Internet Edition) on April 23, 2019.

b) On April 29, 2019, the Parent Company confirmed the statements in the news article titled, "Ayala launches $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., a subsidiary of Globe Telecom.

c) The holders of the remaining AYCFL US$179.9 million guaranteed exchangeable bonds as of March 31, 2019 claimed the option to convert these bonds into 232.7 million ALI ordinary common shares. The Group's effective ownership in ALI was reduced by 1.6% after this exchange.

   The total cumulative exchanges of the bonds into shares resulted in the overall 2.6% dilution of AC's ownership in ALI.

ALI Group

a) 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.

b) On April 30, 2019, 152 grantees of stock options under our Employee Stock Ownership plan (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.

c) On May 6, 2019, Ayala Land Inc. (ALI), listed the initial tranche of its new ₱50 billion SEC-registered shelf program, the ₱8 billion 7-Year Fixed Rate Bonds on the Philippine Dealing & Exchange Corp. (PDEx) platform. The Bonds has a coupon of 6.3690% per annum and have been rated PRS Aaa, the highest rating assigned by PhilRatings. Obligations rated PRS Aaa are of the highest quality with minimal credit risk.

MWC Group

a) Effective April 1, 2019, a foreign currency differential of ₱0.52 per cubic meter was implemented to the East Zone customers. This adjustment was based on the exchange rate of USD1 to ₱52.77 and JPY1 to ₱0.468. The FCDA of the water bill will be adjusted to 1.81% of the basic charge.

b) On April 24, 2019, MWSS imposed a penalty of ₱534 million to MWC for its failure to meet its service obligation to provide 24/7 water supply to its customers. MWC will abide and pay the penalty. MWSS also asked MWC to set aside an additional ₱600 million for the development of a medium to long-term water source for the East Zone.

IMI Group

a) On April 8, 2019, the BOD of IMI approved the declaration of cash dividend of $0.00201 or ₱ 0.10542 per share to all outstanding common shares as of record date of April 25, 2019 payable on May 7, 2019.

ACEI Group

a) 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. ACEI 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.

b) On May 2, 2019, ACEI completed the sale of a 49% voting interest with 60% economic interest in AA Thermal, Inc. to Aboitiz Power Corporation ("AboitizPower"). This follows the signing of a Share Purchase Agreement on September 26, 2018 (the "SPA") between AboitizPower (as buyer) and Arlington Mariveles Netherlands Holding B.V. (as seller), a wholly-owned subsidiary AC Energy. The transaction value is at USD 572.9 million after applying agreed adjustments pursuant to the SPA.

c) On May 2, 2019, the Parent Company confirmed the news article titled, "AC Energy eyes Phinma Energy tender offer in Q2" posted on Manila Times (Internet Edition) on May 2, 2019. They confirmed that the statement made by ACEI President John Eric Francia that ACEI prefers to keep PHEN listed but depending on the minority shareholders' decision on the tender offer. Also, they confirmed that ACEI is targeting second quarter to conduct mandatory tender offer for PHEN shares.

   The Parent Company, as part of its capital commitment to AC Energy, infused ₱3.0 billion to fund this investment.

AEI Group

a) On April 24, 2019, Securities and Exchange Commission (SEC) approved the Plan and Articles of Merger executed by AC Education, Inc. (AEI) and iPeople, inc. (IPO), with IPO as the surviving corporation.

   Subsequently on May 2, 2019, the merger of AEI with IPO became effective pursuant to the terms of the Plan of Merger. House of Investments, Inc. and its affiliates, and AC, 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.

   AC's gain on the merger transaction was estimated at ₱1.0 billion and was booked in the Group's consolidated other income as of March 31, 2019.

Globe Group

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

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

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

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

Ayala Corporation recorded 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.

Consolidated Sales of Goods and Services

Sale of goods and services rose three percent to ₱66 billion attributed to higher revenues from its mid-income residential and leasing businesses, increments from Manila Water, and AC Energy's retail electricity unit, AC Health, and AC Education. This was partly offset by lower sales volume recorded by AC Industrials during the period.

Real Estate

Ayala Land sustained its double-digit growth trajectory in the first three months of the year, with net income expanding 12 percent to ₱7.3 billion, driven by its property development and commercial leasing segments.

Ayala Land's revenues from property development climbed four percent to ₱26.1 billion, lifted by its office-for-sale and commercial and industrial lot sales segments. Sales reservations expanded 8 percent to ₱34.1 billion driven by the continued strong demand from local and overseas Filipinos, which grew eight percent and 15 percent, respectively. Sales from other nationalities, meanwhile, increased five percent in the first quarter.

Revenues from commercial leasing grew 19 percent to ₱9.2 billion, lifted by higher contribution from newly opened malls, offices, and hotels and resorts. The opening of the retail section of Ayala North Exchange brought Ayala Land's total mall gross leasable area to 1.9 million square meters in the first quarter, while 719,000 square meters is under construction. Its average mall occupancy rate stood at 89 percent, with stable malls at 95 percent. Same mall rental growth stood at 12 percent during the period. Meanwhile, office GLA stood at 1.1 million square meters, while 424,000 square meters is under construction. Average office occupancy rate was at 92 percent in the first quarter.

Ayala Land continues to diversify its income mix. In the first quarter, new estates contributed 54 percent to its net income, while established estates (Makati, Bonifacio Global City, Nuvali, Alabang, and Cebu) contributed 46 percent. In terms of business line, its recurring income segment accounted for 38 percent, while its development business contributed 62 percent to Ayala Land's bottomline.

Ayala Land has announced its plans to establish the first real estate investment trust in the Philippines. It has set up AyalaLand REIT Inc. (formerly known as One Dela Rosa Property Development Inc.), which will initially be composed of Ayala Land's prime, Grade-A, commercial office assets in Makati. Ayala Land believes that a REIT is a viable investment vehicle to access new investors, recycle capital, and promote the development of the Philippine capital market.

Water

Manila Water recorded a net income of ₱1.2 billion in the first three months of the year, 27 percent lower from the previous year on higher operating expenses, which reflects the impact of the water shortage in the Manila Concession.

Manila Water's operating expenses reached ₱2.46 billion, up 39 percent from a year ago, driven by the provision of financial penalty imposed by the Metropolitan Waterworks and Sewerage System to Manila Water amounting to ₱534 million for its inability to meet its service obligations to provide 24/7 water supply to its consumers in accordance with the concession agreement.

Manila Water's inability to provide its usual 24/7 water supply to some of its consumers stemmed from insufficiency of the water supply from Angat Dam to service the demand of its consumers. This raw water allocation has remained unchanged at 1,600 MLD since the concession started in 1997 when the Manila had a population of only three million people. Today, Manila Water serves a population of almost seven million people whose per capita consumption has significantly increased through over two decades of economic progress in Metro Manila. However, under the concession agreement, the development of new water sources is ultimately the responsibility of MWSS. In collaboration with government, Manila Water continues to implement service recovery efforts, which are now geared towards addressing those residing in the elevated and farthest areas of the concession who are still inconvenienced due to the water supply shortage.

The higher operating expenses eclipsed the improvement in revenues registered during the period, expanding 8 percent to ₱5.08 billion on account of higher tariff in the Manila Concession and improved topline growth of non-Manila Concession businesses which grew 19 percent to ₱1.1 billion. Revenues was also tempered by the implementation of the voluntary one-time bill waiver program made effective in April as relief to its customers who were affected by the water supply shortage.

Net earnings of Manila Water Philippine Ventures, which comprises the company's domestic businesses outside the Manila Concession, climbed 7 percent to ₱174 million in the first quarter, primarily lifted by revenues from Estate Water, which grew more than twofold to ₱319 million. Meanwhile, net earnings of Manila Water Asia Pacific, which houses Manila Water's international investments, more than doubled to ₱135 million led by contribution of East Water in Thailand and its operating subsidiaries in Vietnam.

Power

AC Energy recorded a net income of ₱2.5 million in the first quarter, dropping from its year-ago level of ₱593 million, as higher interest expense from a green bond issuance, lower wind regime, and a scheduled outage of a thermal plant weighed on its bottomline.

Equity earnings from AC Energy's investee companies reached ₱496.9 million, primarily lifted by its international renewable energy platforms. Meanwhile, it booked lower equity earnings contribution from GNPower Mariveles on scheduled outage combined with the impact of its reclassification to an asset held for sale in light of the thermal sell-down to Aboitiz Power. Similarly, its wind farms NorthWind and North Luzon Renewables posted lower equity earnings contribution owing to lower wind regime this El Nino season. Higher interest expense incurred from AC Energy's issuance of US$410 million in green bonds also contributed to the decline in AC Energy's net profits in the first quarter.

Last April, AC Energy and the BIM Group inaugurated the 330MW solar farm in Ninh Thuan Province, one of the largest solar farms in Southeast Asia, as well as the 30MW solar plant in Dak Lak, both in Vietnam. In addition, AC Energy in partnership with The Blue Circle recently announced the construction of the first 40MW of the Mui Ne Wind Farm located in Binh Thuan Province, Vietnam with an estimated cost of US$92 million. The project has an expansion potential of up to 170MW. AC Energy also recently energized a 50MW solar project in Khanh Hoa, which is part of the 80MW solar plant partnership with AMI Renewables of Vietnam. These projects are all in line with AC Energy's target to assemble five gigawatts in attributable capacity across solar, wind, and geothermal technologies by 2025.

Industrial Technologies

The ongoing global market slowdown, startup losses from its newly acquired businesses, and weaker sales of its automotive retail distribution segment pulled AC Industrials' performance in the first quarter to a net loss of ₱332 million.

Its electronics manufacturing services unit, Integrated Micro-Electronics, experienced macro-driven margin constraints due to the continued fallout from the US-China trade war, lingering political uncertainty in the UK, and the ongoing electronic component shortage. Net profits dropped to US$335,000, 94 percent lower from its year-ago level of US$5.6 million. Consolidated revenues stood at US$323 million (₱16.6 billion), relatively flat from the previous year. Gross profit for the first three months of 2019 totaled US$29.1 million, with margins declining to 9 percent compared to the previous year's 10.6 percent.

IMI continues to grow its target business segments – automotive, industrial, and aerospace – which now comprise 77 percent of total revenues for the period. Revenues from automotive grew 27 percent to US$168 million, while contribution from the industrial segment climbed 10 percent to US$68M. Revenues from aerospace increased six percent to US$13M. However, consumer and telecom revenues declined by 59 percent and 12 percent, respectively, due to delays in new project awards and the aforementioned China economic slowdown.

In domestic vehicle distribution, AC Motors registered a net loss of ₱89 million due to weaker sales of Honda, Isuzu, and Volkswagen, which the Philippine automotive market continuing to experience an overhang from last year's industry-wide decline. KTM and Kia also posted weaker than expected results, due to slower than expected exports and ongoing startup activities, respectively.

Share in Net Profits of Associates and Joint Ventures

Share of profits of associates and joint ventures grew 17 percent to ₱5.9 billion, boosted by Globe's strong topline growth and higher net interest and non-interest income registered by BPI.

Banking

Bank of the Philippine Islands recorded a net income of ₱6.72 billion in the first quarter, up eight percent year-on-year on strong performance of its core banking business.

BPI's total revenues in the first quarter climbed 23.5 percent to ₱22.78 billion on solid growth from both net interest income and non-interest income. Net interest income jumped 29 percent to ₱16.1 billion resulting from an 8.8 percent increase in average asset base and a 50-basis point expansion in net interest margin to 3.39 percent. Yield on interest-earning assets improved 109 basis points, but this was partially offset by the increase in cost of funds, owing to higher time deposit rates, and an increase in other borrowings.

The bank's total loans at the end of the first quarter stood at ₱1.35 trillion, up 11.5 percent year-on-year, boosted by strong growth in corporate loans, credit card loans, and housing loans with growth of 11.8 percent, 20.3 percent and 9.9 percent, respectively. Meanwhile, total deposits reached ₱1.61 trillion, an increase of 1.3 percent. The bank's CASA ratio was at 70.3 percent while the loan-to-deposit ratio stood at 83.9 percent.

On the other hand, non-interest income registered a 12.4 percent increase to reach ₱6.73 billion, attributed to increases in transaction-based service charges, credit card and rental businesses, and income from assets sold.

Operating expenses totaled ₱12.1 billion in the first quarter of 2019, 23.8 percent higher year-on-year, mainly driven by the bank's investments in technology, digitalization, and its microfinance branch network. Cost-to-Income ratio was at 53 percent, slightly up from the 52.8 percent registered from a year ago. The provision for losses of ₱1.80 billion was 13.2 percent lower than the fourth quarter of 2018. Non-performing loans ratio stood at 1.85 percent, while the bank's total loss coverage, including allowances for contingent exposures, was at 95.7 percent in the first quarter.

At the end of March 2019, the bank's total assets stood at ₱2.08 trillion, up 8.9 percent, and Return on Assets was at 1.34 percent. On account of the stock rights offering conducted in May 2018, BPI's total capital reached ₱257.11 billion, up 35.6 percent. Return on Equity was at 10.7 percent, which declined 2.9 percentage points, reflecting the impact of the dilution from the SRO. Capital Adequacy and Common Equity Tier 1 ratios were at 16.57 percent and 15.68 percent, respectively.

Telco

Globe registered robust performance in the first quarter, with a 44 percent surge in net income from its year-ago level to ₱6.7 billion bolstered by strong subscriber usage in data-related services across mobile, corporate data, and home broadband segments.

This was achieved through solid topline gains, which fully offset the higher depreciation expenses from Globe's continued network expansion and acceleration of its LTE and broadband rollout. Consolidated service revenues climbed 13 percent to ₱36 billion, while EBITDA grew 24 percent to ₱19.9 billion.

The sustained momentum in prepaid brands drove mobile revenues, which grew 11 percent to nearly ₱27 billion. Mobile data continued to be the top contributor to Globe's total mobile business, accounting for 61 percent of gross service revenues from 47 percent a year ago. Mobile data revenues grew 44 percent to ₱16.5 billion as subscribers avail of promos that provide the best surfing deals.

Similarly, home broadband revenues climbed 21 percent to ₱5.2 billion resulting from a 22 percent increase in subscriber base at 1.7 million. Meanwhile, corporate data revenues grew 16 percent to ₱3.1 billion, from internet and domestic services and higher circuit count.

Overall, data-related services accounted for 69 percent of Globe's service revenues during the period, with mobile data services alone making up for 46 percent. Globe is now reaping the benefits of its modernized 4G/LTE network that allows more of its customers to experience faster content downloads, smoother music and video streaming, and richer web browsing experiences. It recorded mobile data traffic growth from 180 petabytes a year ago to 370 petabytes in the first quarter.

During the period, Globe spent around ₱8.8 billion in capital expenditures or 24 percent of the topline revenue to support the growing subscriber base and demand for data. Of this amount, 68 percent was deployed to data-related services. Globe has provided a guidance of achieving a high single-digit growth in service revenues and EBITDA margin in the low-50s by the end of 2019.

Costs and Expenses

In step with revenue growth, consolidated cost of sales and rendering services rose four percent to ₱46.6 billion. General and administrative expenses expanded 15 percent to ₱7.3 billion, lifted by the accrual of financial penalty imposed on Manila Water for its inability to meet its service obligations to provide 24/7 water supply to is consumers as a result of the water supply shortage. Moreover, higher costs related to manpower and business taxes of AC Industrials and AC Energy contributed to the increase.

Balance Sheet Highlights

At the end of March-2019, Ayala's total assets stood at ₱1.2 trillion. Investments in properties expanded seven percent to ₱243.6 billion on the back of Ayala Land's expansion projects in its malls and office segments.

At the end of March-2019, total debt at the consolidated level stood at ₱430.9 billion on higher drawdowns of AC Energy to fund its GNPower Kauswagan project and its renewable energy projects in Australia and Vietnam.

Ayala's balance sheet remains healthy with ample capacity to undertake investments as well as cover its dividend and debt obligations. As of the first quarter of the year, parent level cash stood at ₱5.5 billion, with net debt at ₱99.8 billion. Ayala's net debt-to-equity ratio stood at 0.79 at the parent level and 0.73 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 11.7 percent at the end of the first quarter. Its peso-dollar debt split ended at 66:34 as of end-March. Ayala's dollar denominated debts are fully covered by foreign currency assets.

In April 2014, Ayala issued US$300 million bonds, which were exchangeable into secondary shares of Ayala Land. Upon the bonds' maturity last May 2, 100 percent of the bondholders opted to exchange into Ayala Land shares. The exchange led to a 2.6 percent dilution in Ayala's economic ownership in Ayala Land to 44.4 percent from 47 percent.

Key Performance indicators:

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

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

Ratio	Formula	**March 2019 (Unaudited)**	December 2018 (Audited)
Liquidity Ratio	Cash/ Cash equivalents + Short-term cash investments / Current Liabilities	**0.26**	0.20
Current ratio	Current assets / Current liabilities	**1.39**	1.25
Solvency Ratio	After-Tax Net Profit + (Depreciation + Amortization)+ Provision for Bad Debts / Total Liabilities	**0.02**	0.02 *
Debt-to-Equity Ratio	Long-term Loans + Short Term Loans / Total Stockholders' Equity	**0.89**	0.88
Assets- to-Equity Ratio	Total Assets / Equity Attributable to Owners of the Parent	**4.08**	4.12
Interest Expense Coverage Ratio	EBITDA / Interest Expense	**4.74**	5.58 *
Return on Equity	Net Income to Owners of the Parent / Equity Attributable to Owners of the Parent (Average)	**2.7%**	3.0% *
Return on Common Equity	Net Income to Owners of the Parent Less Dividends on Preferred Shares / Common Equity Attributable to Owners of the Parent (Average)	**2.8%**	3.1% *
Return on Assets	Net Income / Total Assets	**1.1%**	1.2% *

** Based on Unaudited March 31, 2018.*

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

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

Ayala group's capital expenditure budget is higher than last year amounting to ₱262 billion. At the parent level, the capital expenditure budget will be at the ₱23 billion level. Targeting to increase their last year's spending, key subsidiaries' capital expenditure budgets for 2019 are as follows: ₱130 billion for ALI, ₱24 billion for MWCI and ₱17.7 billion for AC Energy - as they remain to expand and launch new projects locally and in international front. Globe projects to spend ₱61.9 billion, higher than last year's capex, as it continues to roll-out connectivity upgrade and expansion, while BPI budgeted ₱6.0 billion for its capital expenditures.

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)

Balance Sheet Items
As of March 31, 2019 vs. December 31, 2018

Cash and cash equivalents – 21% increase from ₱60,624 million to ₱73,464 million
Increase due to AC's dividends received and proceeds from loans; and AC Energy's dividends received and proceeds from Green bonds; partially offset by declines in: ALI arising from funding of land acquisitions, real estate expansion projects and property acquisitions; and MWC's payment of loans. This account is at 6% and 5% of the total assets as of March 31, 2019 and December 31, 2018, respectively.

Short-term investments – 43% decrease from ₱5,956 million to ₱3,412 million
Decrease due to AYC's short-term placements maturity. This account is at less than 1% of the total assets as of March 31, 2019 and December 31, 2018.

Contract assets (current) – 19% increase from ₱52,209 million to ₱62,335 million
Increase resulting from higher contract assets of ALI, IMI and MWC. This account is at 5% and 4% of the total assets as of March 31, 2019 and December 31, 2018, respectively.

Inventories – 9% decrease from ₱120,560 million to ₱109,622 million
Decrease due to ALI's higher sales amidst slower project launches, AITHI/ACI's lower vehicle purchases and IMI's recoveries of backlogs. This account is at 9% and 10% of the total assets as of March 31, 2019 and December 31, 2018.

Accounts and notes receivable (noncurrent) – 35% decrease from ₱6,366 million to ₱4,148 million
Decrease due to ALI's lower bookings from residential and leasing groups. This account is at less than 1% of the total assets as of March 31, 2019 and December 31, 2018.

Contract assets (noncurrent) – 6% increase from ₱35,930 million to ₱37,934 million
Increase resulting from higher contract assets of ALI and MWC. This account is at 3% of the total assets as of March 31, 2019 and December 31, 2018.

Investment Properties – 7% increase from ₱227,646 million to ₱243,566 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 March 31, 2019 and December 31, 2018, respectively.

Intangible assets – 27% increase from ₱16,553 million to ₱21,035 million
Increase attributable to increase in ALI's leasehold rights. This account is at 2% and 1% of the total assets as of March 31, 2019 and December 31, 2018, respectively.

Other noncurrent assets - 28% increase from ₱40,088 million to ₱51,223 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 ₱82 million in December 2018.[1] This account is at 4% and 3% of the total assets as of March 31, 2019 and December 31, 2018, respectively.

Short-term debt – 35% decrease from ₱39,518 million to ₱25,607 million
Decrease due to settlements made by MWC and AC Energy as well as AITHI/ACI's lower borrowing due to lower vehicle purchases. This account is at 3% and 5% of the total liabilities as of March 31, 2019 and December 31, 2018, respectively.

Accounts payable and accrued expenses – 9% decrease from ₱204,758 million to ₱187,104 million
Decrease mainly due to ALI's lower development and project costs of residential and commercial business groups coupled with IMI's lower China and Europe operations; partly offset by AC Energy's higher trade payables; and MWC's increase in Estate Water operations, higher income tax plus penalty accruals for water shortage incident. This account is at 25% and 28% of the total liabilities as of March 31, 2019 and December 31, 2018, respectively.

Income tax payable – 37% increase from ₱3,407 million to ₱4,659 million
Increase mainly arising from higher tax payable of ALI group. This account is less than 1% of the total liabilities as of December 31, 2017 and 2016.

Other current liabilities – 74% increase from ₱11,129 million to ₱19,345 million
Increase due to ALI's higher customer deposits. This account is at 3% and 2% of the total liabilities as of March 31, 2019 and December 31, 2018, respectively.

Long-term debt (current) – 16% decrease from ₱48,481 million to ₱40,857 million
Decrease due to loans maturity of ALI and AYC's actual exchange of its bonds into ALI shares. This account is at 5% and 7% of the total liabilities as of March 31, 2019 and December 31, 2018, respectively.

Service concession obligation (current) – 6% decrease from ₱821 million to ₱771 million
Decrease was due to periodic payments made by MWC. This account is at less than 1% of the total liabilities as of March 31, 2019 and December 31, 2018.

Long-term debt (noncurrent) – 12% increase from ₱324,263 million to ₱364,457 million
Increase coming from AC Energy's issuance of Green bonds, ALI's, IMI's, MWC's and AYC's additional borrowings. This account is at 48% and 44% of the total liabilities as of March 31, 2019 and December 31, 2018, respectively.

Contract liabilities (noncurrent) – 8% increase from ₱8,630 million to ₱9,336 million
Increase pertains to ALI's contract liabilities. This account is at 1% of the total liabilities as of March 31, 2019 and December 31, 2018.

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

Lease liabilities – amounted to ₱2,345 million in March 2019
Account is in relation to adoption of PFRS 16 Leases which is mainly coming from AITHI/ACI, AHHI, IMI and MWC groups. This account is at less than 1% of the total liabilities as of March 31, 2019 and December 31, 2018.

Other noncurrent liabilities – 34% increase from ₱45,170 million to ₱60,484 million
Increase primarily due to ALI's higher customer deposits and retentions payable. This account is at 8% and 6% of the total liabilities as of March 31, 2019 and December 31, 2018, respectively.

Remeasurement losses on defined benefit plans - 5% decrease from negative ₱1,299 million to negative ₱1.229 million
Slight decrease due to deconsolidation of AEI's account. This account is at less than 1% of the total equity as of March 31, 2019 and December 31, 2018.

Fair value reserve of financial assets at fair value through other comprehensive income (FVOCI) – 127% increase from negative ₱545 million to positive P146 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 March 31, 2019 and December 31, 2018.

Cumulative translation adjustments - 49% increase from ₱2,277 million to ₱3,394 million
Increase due to upward effect of investments of AC Energy; partly offset by decline in IMI and investment in Globe. Forex of Ph₱ vs US$ amounted to ₱52.50 in March 2019 vs. ₱52.58 in December 2018. This account is at 1% of the total equity as of March 31, 2019 and December 31, 2018.

Equity reserve and Equity conversion option (total) - 36% increase from ₱11,959 million to ₱16,289 million
Increase due to gain on sale of ALI shares in relation to AYC's exchangeable bonds conversions. This account is at 3% of the total equity as of March 31, 2019 and December 31, 2018.

Income Statement items
For the Period Ended March 31, 2019 vs. March 31, 2018

Sale of goods and rendering services – 3% increase from ₱64,013 million to ₱66,066 million
Increase in sale of goods and rendering services due to ALI's higher revenues from core-mid and mid-income residential and leasing groups; increments from MWCI, AC Energy's RES unit, AC Health and AC Education partly offset by AITHI/ACI lower sales volume. As a percentage to total revenue, this account is at 89% and 91% in March 31, 2019 and 2018, respectively.

Share of profit of associates and joint ventures – 17% increase from ₱5,047 million to ₱5,924 million
Increase coming from Globe's higher revenues and BPI's higher interest and non-interest income. As a percentage to total revenue, this account is at 8% and 7% in March 31, 2019 and 2018, respectively.

Interest income – 68% increase from ₱1,387 million to ₱2,335 million
Increase attributable to interest income from ALI group. This account is at 3% and 2% of the total revenue in March 31, 2019 and 2018, respectively.

Dividend income – 94% decrease from ₱239 million to ₱13 million
Decrease in dividend income caused by reclassification of dividend income of AC Energy. This account is at less than 1% of the total revenue in March 31, 2019 and 2018.

Cost of sales and rendering services – 4% increase from ₱44,993 million to ₱46,624 million
Increase in cost of sales and rendering services is aligned with the growth in revenues. As a percentage to total costs and expenses, this account is at 86% and 88% in March 31, 2019 and 2018, respectively.

General and administrative expenses – 15% increase from ₱6,346 million to ₱7,297 million
Increase mainly from MWC's accrual of penalty for water shortage incident amounting to ₱534 million, AITHI/ACI's higher manpower costs from consolidation of new business units and AC Energy's higher business taxes and manpower costs including restructuring costs for sale of thermal assets. As a percentage to total costs and expenses, this account is at 14% and 12% in March 31, 2019 and 2018, respectively.

Other income – 27% decrease from ₱4,869 million to ₱3,555 million
Decrease caused by MWCI's lower P1.7B income from rehabilitation works; and impact of last year's AC Energy's P421M (liquidation damages income on GNPK delayed construction); offset partly by the P1.0B gain from AC Education – IPO merger transaction.

Interest and other financing charges – 29% increase from ₱4,337 million to ₱5,596 million
Increase due to higher interest expenses of ALI, AC/AYC, MWC and AC Energy as a result of higher debt balance level this year as compared to last year.

Other charges – 54% decrease from ₱3,086 million to ₱1,420 million
Decrease due to MWC's lower rehabilitation works of service concession assets.

Provision for income tax (current and deferred) – 8% decrease from ₱3,901 million to ₱3,607 million
Decrease due to ACEI's deferred tax liability set-up from unrealized translation gains from GNPK and GNPD investments; partly offset by increase in ALI due to higher taxable income attributable its better sales/revenues.

Income attributable to Owners of the parent – 5% increase from ₱7,657 million to ₱8,031 million
Increase resulting from better operating results of ALI and higher equity in net earnings of Globe and BPI.

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

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

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

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

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

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

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

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

3.1 Other material events or transactions during the interim period.

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

PART II – OTHER INFORMATION

The other major information about the Group are disclosed in the appropriate notes in the previously filed Audited Consolidated Financial Statements for December 31, 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

<u>*Personnel and Compensation Committee*</u>

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

<u>*Finance Committee*</u>

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

<u>*Committee of Inspectors of Proxies and Ballots*</u>

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 and 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

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

The following are the Management Committees:

a. Ayala Group of Companies Management Committee

Jaime Augusto Zobel de Ayala	- Chairman and Chief Executive Officer, Ayala Corporation
Fernando Zobel de Ayala	- Vice Chairman, President and Chief Operating Officer, Ayala Corporation
Jose Rene Gregory D. Almendras	- President, AC Infrastructure Holdings Corporation

and Public Affairs Group Head, Ayala Corporation
Alfredo I. Ayala - President, AC Education, Inc.
Paolo Maximo F. Borromeo - President, Ayala Healthcare Holdings, Inc.
and Corporate Strategy and Development Group Head,

Ayala

Corporation
Cezar P. Consing - President, Bank of the Philippine Islands
Ernest Lawrence L. Cu - President, Globe Telecom, Inc.
Ferdinand M. Dela Cruz - President, Manila Water Company, Inc.
Bernard Vincent O. Dy - President, Ayala Land, Inc.
John Eric T. Francia - President, AC Energy, Inc.
Solomon M. Hermosura - Chief Legal Officer, Corporate Secretary, Compliance
Officer,

Data Protection Officer & Corporate Governance Group

Head,

Ayala Corporation
Jose Teodoro K. Limcaoco - President, AC Ventures Holding Corp. and Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer and Finance Group Head, Ayala Corporation
Ruel T. Maranan - President, Ayala Foundation, Inc.
John Philip S. Orbeta - Chief Human Resources Officer and Corporate
Resources

Group Head, Ayala Corporation
Arthur R. Tan - Chief Executive Officer, Integrated Micro-Electronics, Inc.
and

Group President and Chief Executive Officer, AC

Industrial

Technology Holdings, Inc.

b. Ayala Corporation Management Committee

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

SIGNATURES

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

Registrant **AYALA CORPORATION**

By:

JOSEPHINE G. DE ASIS
Authorized Signatory
Comptroller
Ayala Corporation

Date: May 10, 2019