COVER SHEET

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A Y A L A   C O R P O R A T I O N   A N D   S U B S I D I A R I E S

(Company's Full Name)

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

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

1 2	3 1	1 7 - Q		
Month	*Day*		*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, if Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

6 4 2 1	**₱39.9 billion bonds**	
Total No. Of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. Use black ink for scanning purposes

Certification

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

1) In compliance with the guidelines issued by the Securities and Exchange Commission (SEC) for the filing of structured and current reports by publicly listed companies with the SEC in light of the imposition of an Enhanced Community Quarantine and Stringent Social Distancing Measures over the entire region of Luzon to prevent the spread of the 2019 Coronavirus Disease (COVID-2019), the Company is timely filing its SEC Form 17-Q by uploading the same through the PSE EDGE in accordance with the relevant PSE rules and procedures.

2) The information contained in SEC Form 17Q dated May 14, 2020 is **true and correct** to the best of my knowledge.

3) On behalf of the Company, I hereby **undertake** to a) submit hard or physical copies of SEC Form 17Q dated May 14, 2020 with proper notarization and certification, b) pay the filing fees (where applicable) c) pay the penalties due (where applicable) d) other impositions (where applicable), within ten (10) calendar days from the date of the lifting of the Enhanced Community Quarantine period and resumption of SEC's normal working hours.

4) I am fully aware that non-submission of hard/physical copies of reports as well as certification that they refer to one and the same document submitted online, within ten (10) calendar days from the lifting of the Enhanced Community Quarantine period and resumption of SEC's normal working hours, shall invalidate the reports, applications, compliance, requests and other documents submitted via email. Hence, the corresponding penalties under existing rules and regulations of the Commission shall apply without prejudice to the imposition of penalties under Section 54 of the Securities Regulation Code and other applicable existing rules and regulations for failure to comply with the orders of the Commission.

5) I am executing this certification this May 14, 2020 to attest to the truthfulness of the foregoing facts and for whatever legal purpose it may serve.

Josephine G. de Asis
Comptroller
Passport No. P0174919B

SEC No. 34218
File No. ______

AYALA CORPORATION

(Company's Full Name)

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

(Company's Address)

(632) 7908-3000

(Telephone Number)

March 31, 2020

(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, 2020**

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

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

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

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

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

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

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

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

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

Title of each class	Number of shares issued & outstanding As of March 31, 2020
Preferred A	0*
Preferred B Series 1	20,000,000**
Preferred B Series 2	30,000,000
Voting Preferred	200,000,000
Common	625,625,138***

** net of 12,000,000 treasury shares*
*** net of 8,000,000 treasury shares*
**** net of 5,744,854 treasury shares*

Amount of debt outstanding as of March 31, 2020: **₱39,903.4 million in bonds******

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

11. Are any or all of these securities listed in the Philippine Stock Exchange? Yes [**x**] No [ ]
As of March 31, 2020, 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 5,744,854 common shares, 12,000,000 ACPA shares and 8,000,000 ACPB1 shares are held in Treasury by the Parent Company.

12. Check whether the registrant:
(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes [**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, 2020 make reference to certain financial information and disclosures in the December 31, 2019 annual audited consolidated financial statements. This SEC17Q report should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended December 31, 2019*.

This SEC17Q report also includes financial and operating data with respect to Ayala's material subsidiaries [Ayala Land, Inc. (ALI), Integrated Micro-Electronics, Inc. (IMI), Manila Water Company, Inc. (MWC) and AC Energy, Inc. (AC Energy)], associate [Bank of the Philippine Islands (BPI)] and joint venture [Globe Telecom, Inc. (Globe)]. This SEC 17Q should be read in conjunction with the financial information and operating highlights of these subsidiaries, associate and joint venture as contained in their respective December 31, 2019 audited financial statements and SEC17A reports and SEC17Q report as of March 31, 2020.**

**The audited consolidated financial reports and SEC 17A report of Ayala Corporation and Subsidiaries as of December 31, 2019 are available at the Parent Company's website www.ayala.com.ph.*

***The audited consolidated financial reports and SEC 17A reports as of December 31, 2019 as well as SEC 17Q report as of March 31, 2020 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, 2020 (With Comparative Audited Figures as at December 31, 2019)
(Amounts in Thousands)

		March 2020 Unaudited		December 2019 Audited
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4)	₱	**100,692,733**	₱	93,405,253
Short-term investments (Note 5)		**1,046,208**		13,387,801
Accounts and notes receivable (Note 6)		**129,858,319**		130,868,711
Contract assets		**3,081,578**		3,159,675
Inventories (Note 7)		**134,644,035**		135,064,303
Other current assets (Note 8)		**71,225,196**		62,932,994
Assets under PFRS 5 (Note 20)		**174,504,237**		170,466,694
Total Current Assets		**615,052,306**		609,285,431
Noncurrent Assets				
Noncurrent accounts and notes receivable (Note 6)		**54,401,799**		55,720,290
Investments in associates and joint ventures (Note 10)		**252,576,578**		246,731,276
Investment properties (Note 12)		**252,222,737**		246,732,338
Property, plant and equipment (Note 12)		**95,800,589**		88,781,755
Right-of-use assets (Note 9)		**18,731,775**		18,220,572
Service concession assets (Note 13)		**1,612,758**		1,638,516
Intangible assets (Note 11)		**17,810,631**		16,625,926
Deferred tax assets - net (Note 11)		**14,038,745**		14,246,325
Other noncurrent assets (Note 8)		**43,135,730**		47,303,529
Total Noncurrent Assets		**750,331,342**		736,000,527
Total Assets	₱	**1,365,383,648**	₱	1,345,285,958
LIABILITIES AND EQUITY				
Current Liabilities				
Short-term debt (Note 16)	₱	**50,980,661**	₱	29,788,643
Accounts payable and accrued expenses (Note 14)		**179,338,130**		195,416,247
Contract liabilities		**150,920**		252,341
Income tax payable		**2,886,915**		2,396,901
Current portion of:				
Long-term debt (Note 16)		**28,400,553**		23,878,725
Lease liabilities (Note 9)		**1,368,999**		1,028,067
Service concession obligation (Note 13)		**13,607**		13,607
Other current liabilities (Note 15)		**22,926,412**		28,394,709
Liabilities under PFRS 5 (Note 20)		**121,790,339**		121,487,625
Total Current Liabilities		**407,856,536**		402,656,865
Noncurrent Liabilities				
Long-term debt - net of current portion (Note 16)		**352,494,235**		351,670,789
Lease liabilities - net of current portion (Note 9)		**21,280,294**		21,353,099
Service concession obligation - net of current portion (Note 13)		**52,413**		52,412
Deferred tax liabilities - net		**8,808,805**		8,035,817
Pension liabilities		**4,144,739**		3,756,048
Other noncurrent liabilities (Note 15)		**56,541,412**		48,447,370
Total Noncurrent Liabilities		**443,321,898**		433,315,535
Total Liabilities		**851,178,434**		835,972,400

(Forward)

		March 2020 Unaudited		December 2019 Audited
Equity				
Equity attributable to owners of the parent company				
Paid-in capital (Note 17)		**84,956,135**		84,876,225
Share-based payments		**212,929**		214,617
Remeasurement losses on defined benefit plans		**(3,274,697)**		(3,117,329)
Fair value reserve of financial assets at fair value through other comprehensive income (FVOCI)		**1,214,536**		66,917
Cumulative translation adjustments		**2,116**		3,234,618
Equity reserve		**25,103,659**		25,282,942
Retained earnings (Note 17)		**232,115,987**		225,454,620
Treasury stock		**(6,605,153)**		(5,737,896)
Reserves under PFRS 5 (Note 20)		**(1,354,399)**		(1,467,449)
		332,371,113		328,807,265
Non-controlling interests		**181,834,101**		180,506,293
Total Equity		**514,205,214**		509,313,558
Total Liabilities and Equity	₱	**1,365,383,648**	₱	1,345,285,958

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)

		For the Periods Ended March 31		
		2020		2019 (As Restated)
CONTINUING OPERATIONS				
REVENUE (Note 19)				
Sale of goods and rendering of services	₱	**53,352,840**	₱	61,605,066
Share in net profits of associates and joint ventures		**5,736,833**		5,717,114
Interest income		**2,450,963**		2,172,553
Dividend income		**179,994**		13,390
		61,720,630		69,508,123
COSTS AND EXPENSES				
Costs of sales and services		**38,384,671**		44,683,025
General and administrative expenses		**7,256,109**		5,970,258
		45,640,780		50,653,283
OTHER INCOME (CHARGES) - Net				
Other income		**1,345,891**		1,634,683
Interest and other financing charges		**(6,200,393)**		(5,063,087)
		(4,854,502)		(3,428,404)
INCOME BEFORE INCOME TAX		**11,225,348**		15,426,436
PROVISION FOR INCOME TAX				
Current		**1,837,640**		3,102,987
Deferred		**415,284**		(63,197)
		2,252,924		3,039,790
INCOME AFTER INCOME TAX		**8,972,424**		12,386,646
OPERATIONS OF THE SEGMENT UNDER PFRS 5 (Note 20)				
Net income after tax		**1,848,778**		962,330
NET INCOME	₱	**10,821,202**	₱	13,348,976
Net Income Attributable to:				
Owners of the Parent Company	₱	**6,661,367**	₱	8,031,010
Non-controlling interests		**4,159,835**		5,317,966
	₱	**10,821,202**	₱	13,348,976
EARNINGS PER SHARE (Note 18)				
Basic	₱	**10.14**	₱	12.23
Diluted	₱	**10.11**	₱	12.08
Earnings Per Share Before Operations of the Segment Under PFRS 5 (Note 18)				
Basic	₱	**8.61**	₱	11.29
Diluted	₱	**8.58**	₱	11.15

See accompanying Notes to Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	For the Periods Ended March 31	
	2020	2019
NET INCOME	**₱ 10,821,202**	₱ 13,348,976
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising from translations of foreign investments	**(2,087,168)**	996,089
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gains (losses) on defined benefit plans	**(309,619)**	74,116
Changes in fair values of financial assets at FVOCI - net	**2,563,763**	141,020
	166,976	1,211,225
SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising from translations of foreign investments	**(1,483,444)**	(88,223)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gains (losses) on defined benefit plans	**(18,473)**	(1,180)
Changes in fair values of financial assets at FVOCI - net	**(1,552,999)**	613,366
	(3,054,916)	523,963
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(2,887,940)**	1,735,188
TOTAL COMPREHENSIVE INCOME	**₱ 7,933,262**	₱ 15,084,164
Total Comprehensive Income Attributable to:		
Owners of the Parent Company	**₱ 4,492,821**	₱ 9,909,628
Non-controlling interests	**3,440,441**	5,174,536
	₱ 7,933,262	₱ 15,084,164

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	Fair Value Reserve of Financial Assets at FVOCI	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option	Reserves under PFRS 5 (Note 20)	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
	For the Period Ended March 31 2020												
As of January 1, 2020	₱ 84,876,225	₱ 214,617	₱ (3,117,329)	₱ 66,917	₱ 3,234,618	₱ 25,282,942	₱ -	₱ (1,467,449)	₱ 225,454,620	₱(5,737,896)	₱ 328,807,265	₱ 180,506,293	₱ 509,313,558
Net Income	-	-	-		-	-	-	-	6,661,367	-	6,661,367	4,159,835	10,821,202
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(18,473)	(1,552,999)	(1,483,444)	-	-	-	-	-	(3,054,916)	-	(3,054,916)
Other comprehensive income (loss)	-	-	(138,895)	2,700,618	(1,675,353)	-	-	-	-	-	886,370	(719,394)	166,976
Reserves under PFRS 5 (Note 20)	-	-	-	-	(73,706)	(39,344)	-	113,050	-	-	-	-	-
Total comprehensive income (loss)	-	-	(157,368)	1,147,619	(3,232,503)	(39,344)	-	113,050	6,661,367	-	4,492,821	3,440,441	7,933,262
Exercise of ESOP/ESOWN	79,910	(1,688)	-	-	-	-	-	-	-	-	78,222	-	78,222
Buy-back of common shares	-	-	-	-	-	-	-	-	-	(867,257)	(867,257)	-	(867,257)
Cash Dividends	-	-	-	-	-	-	-	-	-	-	-	(2,366,199)	(2,366,199)
Change in non-controlling interests	-	-	-	-	-	(139,939)	-	-	-	-	(139,939)	253,566	113,627
At March 31, 2020 (Unaudited)	**₱ 84,956,135**	**₱ 212,929**	**₱ (3,274,697)**	**₱ 1,214,536**	**₱ 2,115**	**₱ 25,103,659**	**₱ -**	**₱ (1,354,399)**	**₱ 232,115,987**	**₱(6,605,153)**	**₱ 332,371,112**	**₱ 181,834,101**	**₱ 514,205,213**

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY												
			Other Comprehensive Income										
	Paid-in Capital	Share-based Payments	Remeasurement Gains (Losses) on Defined Benefit Plans	Fair Value Reserve of Financial Assets at FVOCI	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option	Parent Company Preferred Shares Held by Subsidiaries	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
	For the Period Ended March 31, 2019												
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 standard	-	-	-	-	-	-	-	-	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
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(1,180)	613,366	(88,223)	-	-	-	-	-	523,963	-	523,963
Other comprehensive income (loss)	-	-	71,533	77,534	1,205,588	-	-	-	-	-	1,354,655	(143,430)	1,211,225
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	Fair Value Reserve of Financial Assets at FVOCI	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option	Reserves under PFRS 5 (Note 20)	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
	For the year ended December 31, 2018 (Audited)												
As of January 1, 2019	₱ 83,361,675	₱ 238,871	₱ (1,299,319)	₱ (544,555)	₱ 2,276,669	₱ 10,872,124	₱ 1,087,015	₱ -	₱ 196,639,518	₱(2,300,000)	₱ 290,331,998	₱ 178,500,886	₱ 468,832,884
Net Income	-	-	-	-	-	-	-	-	35,279,330	-	35,279,330	6,703,000	41,982,330
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(1,107,730)	596,195	(2,121,987)	-	-	-	-	-	(2,633,522)	-	(2,633,522)
Other comprehensive income (loss)	-	-	(758,325)	14,804	3,208,842	-	-	-	-	-	2,465,321	(1,762,016)	703,305
Reserves under PFRS 5	-	-	48,045	473	(128,906)	1,547,837	-	(1,467,449)	-	-	-	-	-
Total comprehensive income (loss)	-	-	(1,818,010)	611,472	957,949	1,547,837	-	(1,467,449)	35,279,330	-	35,111,129	4,940,984	40,052,113
Redemption of Preferred B Series 2 shares	-	-	-	-	-	-	-	-	-	(13,500,000)	(13,500,000)	-	(13,500,000)
Re-issuance of redeemed Preferred B Series 2 shares	-	-	-	-	-	-	-	-	-	13,500,000	13,500,000	-	13,500,000
Issuance of additional Preferred B Series 2 shares	1,079,931	-	-	-	-	-	-	-	-	300,000	1,379,931	-	1,379,931
Buy-back of common shares	-	-	-	-	-	-	-	-	-	(3,737,896)	(3,737,896)	-	(3,737,896)
Exercise of ESOP/ESOWN	434,619	(943)	-	-	-	-	-	-	-	-	433,676	-	433,676
Cost of share-based payments	-	(23,311)	-	-	-	-	-	-	-	-	(23,311)	-	(23,311)
Exercise of exchange option	-	-	-	-	-	12,323,299	(1,087,015)	-	-	-	11,236,284	3,901,950	15,138,234
Cash Dividends	-	-	-	-	-	-	-	-	(6,464,228)	-	(6,464,228)	(5,820,296)	(12,284,524)
Change in non-controlling interests	-	-	-	-	-	539,682	-	-	-	-	539,682	(1,017,231)	(477,549)
At December 31, 2019 (Audited)	₱ 84,876,225	₱ 214,617	₱ (3,117,329)	₱ 66,917	₱ 3,234,618	₱ 25,282,942	₱ -	₱ (1,467,449)	₱ 225,454,620	₱(5,737,896)	₱ 328,807,265	₱ 180,506,293	₱ 509,313,558

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)

		For the Periods Ended March 31		
		2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax from continuing operations	₱	**11,225,348**	₱	15,426,436
Income (loss) before income tax from operations of segment under PFRS 5		**2,428,640**		1,529,199
Income before income tax		**13,653,988**		16,955,635
Adjustments for:				
Interest and other financing charges - net of amount capitalized		**6,771,097**		5,596,162
Depreciation and amortization		**4,830,607**		3,950,382
Provision for impairment losses		**521,118**		57,228
Mark to market loss (gain) on financial assets at fair value through profit or loss (FVPL) and derivatives		**(15,682)**		2,680
Dividend and other investment income		**(105,702)**		(202,035)
Gain on sale of:				
Investments		**(138)**		(1,013,493)
Other assets		**(52,736)**		(8,336)
Interest income		**(2,566,630)**		(2,334,958)
Share of profit of associates and joint ventures		**(5,966,390)**		(5,924,019)
Operating income before changes in operating assets and liabilities		**17,069,532**		17,079,246
Decrease (increase) in:				
Accounts and notes receivable - trade		**663,535**		22,670,174
Contract assets		**116,040**		(12,129,528)
Inventories		**385,877**		10,925,639
Service concession asset		**(1,608,960)**		700,630
Other current assets		**(5,288,274)**		(14,774,441)
Increase (decrease) in:				
Accounts payable and accrued expenses		**(16,756,036)**		(14,852,436)
Contract liabilities		**(182,916)**		627,351
Net pension liabilities		**275,826**		102,889
Other current liabilities		**(8,747,973)**		8,215,627
Net cash generated from operations		**(14,073,349)**		18,565,151
Interest received		**2,694,478**		2,339,596
Interest paid		**(6,114,952)**		(5,317,631)
Income tax paid		**(1,362,422)**		(2,419,012)
Net cash provided by operating activities	₱	**(18,856,245)**	₱	13,168,104

(Forward)

	For the Periods Ended March 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale/maturities of financial assets FVOCI	**₱ 150,774**	₱ 117,456
Sale/redemptions of investments in associates and joint ventures	**206,369**	11,162
Disposals of:		
Property, plant and equipment	**100,726**	1,116,100
Investment properties	**19,301**	-
Maturities of (additions to) short-term investments	**7,198,083**	2,544,416
Deductions/transfers (additions) to:		
Service concession assets	**(993)**	(2,150,827)
Investments in associates and joint ventures	**(2,979,391)**	(2,736,072)
Property, plant and equipment	**(1,385,301)**	(3,579,430)
Investment properties	**(6,567,891)**	(16,823,699)
Financial assets at FVTPL	**(4,243,649)**	-
Financial assets at FVOCI	**(737,935)**	(1,093)
Accounts and notes receivable - non-trade	**1,441,451**	(335,202)
Intangible assets	**(255,387)**	(4,587,788)
Dividends received from associates, joint ventures and investments in equity securities	**1,298,423**	4,940,675
Acquisitions through business combinations - net of cash acquired	**(5,273,001)**	-
Increase in other noncurrent assets	**3,676,560**	(11,727,962)
Net cash used in investing activities	**(7,351,861)**	(33,212,264)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term and long-term debt	**38,651,095**	56,827,250
Payments of short-term and long-term debt	**(8,028,155)**	(38,590,510)
Buyback of common shares	**(867,257)**	-
Issuance of common shares	**44,833**	-
Dividends paid	**(5,148,564)**	(5,604,256)
Payment of lease liabilities	**(681,958)**	-
Service concession obligation paid	**(294,787)**	(308,621)
Collections of subscriptions receivable	**34,309**	109,311
Cost of issuance/reissuance of shares	**(920)**	-
Increase in:		
Other noncurrent liabilities	**8,621,522**	15,590,319
Non-controlling interests in consolidated subsidiaries	**(146,688)**	4,860,366
Net cash provided by financing activities	**32,183,430**	32,883,859
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,975,324**	12,839,699
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**102,363,510**	60,624,262
CASH AND CASH EQUIVALENTS AT END OF PERIOD *	**₱ 108,338,834**	₱ 73,463,961

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

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

1. Corporation Information

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

The Parent Company is a limited liability corporation having a renewable term of 50 years. On April 15, 2016 during its annual meeting of stockholders, the stockholders ratified the amendment of the Fourth Article of the Articles of Incorporation to extend the corporate term for 50 years from January 23, 2018. The extension of corporate life was approved by SEC on April 5, 2017.

As of March 31, 2020, the Company is 47.41% owned by Mermac, Inc. and the rest by the public. Mermac, Inc., a private holding company incorporated in the Philippines, is the dominant shareholder of Ayala. On the other hand, Mitsubishi Corporation (which held 6.04% of Ayala common shares as at March 31, 2020) is Ayala's long-time strategic shareholder. Its registered office address and principal place of business is 32F to 35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

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

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

Certain members of the Ayala Group, namely ALI, BPI, Globe, MWC, Integrated Micro-Electronics, Inc. ("IMI"), AyalaLand Logistics Holdings ("ALLHC" or formerly known as Prime Orion Philippines Inc.("POPI")), Cebu Holdings, Inc. ("CHI"), AC Energy Philippines ("ACEPH") and ACE Enexor, Inc. ("ACEX") are likewise publicly listed corporations. Some of Ayala's subsidiaries and affiliates have holdings in the equity of other subsidiaries and affiliates.

On May 7, 2020, the Parent Company's Audit Committee of the Board of Directors approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of Ayala Corporation and Subsidiaries.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting.* Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2019 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, 2019.

The unaudited interim condensed consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019 for the following implementation issues of PFRS 15 affecting the real estate industry:

a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
c. Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H
d. Adoption of PIC Q&A No. 2018-14: *PFRS 15 - Accounting for Cancellation of Real Estate Sales*

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

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

<u>Changes in Accounting Policies and Disclosures</u>

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the new PFRS, amended PFRS, improvements to PFRS and interpretations which were adopted beginning January 1, 2020. The nature and the impact of each new standards and interpretations that have been issued but are not yet effective are listed below. Unless otherwise indicated, the Group does not expect the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

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.

For all these amendments effective January 1, 2020, the Group shall review impact on the existing policies and adopt the provisions of these amendments in applicable transactions of the Group.

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

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (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 Parent Company and the following subsidiaries of the Group:

Subsidiaries	Nature of Business	% of Economic Ownership Interest held by the Group **March 2020 (Unaudited)**	 December 2019 (Audited)
AC Energy, Inc. (AC Energy/ ACEI)	Power	**100.0 %**	100.0 %
AC Infrastructure Holdings Corporation (AC Infra)	Infrastructure	**100.0**	100.0
AC International Finance Limited (ACIFL)*	Investment Holding	**100.0**	100.0
AG Counselors Corporation (AGCC)	Consulting Services	**100.0**	100.0
AC Industrial Technology Holdings Inc. (AC Industrials/ ACI)	Industrial Technology and Automotive	**100.0**	100.0
Ayala Aviation Corporation (AAC)	Air Charter	**100.0**	100.0
Ayala Land, Inc. (ALI)	Real Estate and Hotels	**44.5**	44.5
AYC Finance Limited (AYCFL)*	Investment Holding	**100.0**	100.0
Azalea International Venture Partners Limited (AIVPL)**	Business Process Outsourcing	**100.0**	100.0
Ayala Healthcare Holdings, Inc. (AC Health/ AHHI)	Healthcare	**100.0**	100.0
Bestfull Holdings Limited (BHL)***	Investment Holding - International	**100.0**	100.0
Darong Agricultural and Development Corporation	Agriculture	**100.0**	100.0
HCX Technology Partners Inc. (HCX)	Technology Services	**100.0**	100.0
Integrated Microelectronics, Inc. (IMI)	Industrial Technologies	**52.1**	52.1
Manila Water Company, Inc. (MWC)	Water	**51.4**	51.4
Michigan Holdings, Inc. (MHI)	Investment Holding	**100.0**	100.0
Philwater Holdings Company, Inc. (Philwater)	Investment Holding	**100.0**	100.0
Purefoods International Limited (PFIL)**	Investment Holding	**100.0**	100.0
Technopark Land, Inc. (TLI)	Real Estate	**78.8**	78.8
AC Ventures Holding Corp. (AC Ventures/ ACVHC)	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:

COVID – 19 Pandemic

The Group
In compliance with the SEC's notice dated March 12, 2020, mandating publicly listed companies to apprise the investing public on the impact on business operations and measures being undertaken in connection with the COVID-19 pandemic, on March 16, 2020, Ayala informed that it has existing business continuity and crisis management plans in place to mitigate the adverse effect of the COVID-19 pandemic in its business operations.

Ayala has a robust business continuity management system (BCMS), which provides a framework for building organizational resilience with the capability of an effective response that safeguards the interest of its key stakeholders, reputation, brand, and value-creating activities. The BCMS consists of incident and emergency response, business continuity planning, information technology disaster recovery planning, and crisis management which includes a pandemic preparedness plan.

In particular, in view of the COVID-19 situation, Ayala institutionalized social distancing measures to ensure the safety of its workforce while ensuring continuity of its business operations across all its business units. The guidelines follow the recommendations of the Department of Health (DOH), Center for Disease Control, World Health Organization, and other local medical professional societies.

To ensure the health and safety of our workforce, we have put in place policies on alternative work arrangements such as work-from-home and flexible workhours, restrictions on non-essential overseas travel for business and personal reasons, shift to teleconferencing and videoconferencing to minimize in-person business meetings, regular cleaning and disinfection of the workplace, and cancellation of official mass gatherings.

The rising number of COVID-19 cases in the country has raised concerns on its effect on the Philippine economy, which can subsequently impact the outlook for Ayala's various business interests. Please refer to the disclosures of our publicly listed business units ALI, BPI, Globe, MWC, AC Energy Philippines Inc., IMI, and IPO for a report on the impact of the COVID-19 situation in their respective business operations.

Meanwhile, Ayala's AC Energy Group develops, and operates several power projects in the Philippines and around the region using various technologies. It also participates in the Philippine wholesale electricity spot market (WESM) to the extent of uncontracted capacity that has to be bought from or sold to the spot market. WESM prices are dependent on the balance of power supply and demand. Restrictions on travel and businesses resulting from COVID-19 pandemic may adversely affect electricity consumption and may result in lower WESM prices. Further, AC Energy relies on imported fuel and equipment for some of its power projects. Strict quarantine measures imposed locally or abroad may result in delays in importation of such equipment and fuel. For its commercial operations, AC Energy: (a) maintains a balanced supply and demand portfolio to minimize merchant risk, and (b) maintains adequate fuel inventories to ensure continued operations. It also has catch-up plans in case of construction delays and liquidated delay damages are expected from contractors for such situations. For its international business, AC Energy has mandated to limit travel plans and has implemented a self-quarantine protocol and remote work arrangements following Ayala's overall preventive measures. The same principle is applied to those deployed outside the Philippines (in Vietnam, Myanmar, and Singapore).

On the other hand, Ayala's wholly owned subsidiary AC Health continues to operate to provide healthcare services to the public and support the government in its efforts to contain the spread of COVID-19. With over 80 in combined clinic network in the Greater Metro Manila Area, FamilyDOC and Healthway continue to provide doctor consultations and basic diagnostics to patients. For suspected COVID-19 cases, FamilyDOC and Healthway strictly adhere to DOH guidelines and clinical protocols and where needed, refer patients to appropriate hospitals for further testing and management. AC Health's healthcare professionals are also equipped with the necessary protective equipment to ensure their safety.

In addition, Generika’s over 800 branches will remain open to ensure access to quality affordable generic medicines, including wellness supplements for preventive care. AC Health's partner pharmaceutical importation and distribution companies, IE Medica and MedEthix, continue to source medicines and supplies, including face masks, to ensure availability at its pharmacies and clinics.

ALI
On March 16, 2020, in compliance with the above SEC notice, ALI disclosed to the public the measures it has undertaken to manage the risk of COVD-19. It shared that it has an existing crisis management plan and primary operating measures established in the areas of: (1) Employee Health and Safety, (2) Public Health and Safety, and (3) Business Continuity.

IMI
In January 2020, the outbreak of Coronavirus Disease 2019 (COVID-19) in China caused delayed resumptions of work in all China manufacturing facilities in conformance with local government notices.

Starting March 17, 2020 IMI is implementing a partial shutdown of its facilities in the region, in line with the government’s imposition of a Luzon-wide Enhanced Community Quarantine (ECQ) and Stringent Social Distancing Measures from March 17, 2020 to April 13, 2020,

Given the Philippine government’s approval for export-oriented companies to remain operational, IMI is collaborating with units in the local and national levels to explore the ability to maintain the appropriate production levels within its factories. Currently, IMI has been deploying a skeletal workforce to support critical business operations in Luzon.

In the international front, IMI China's operations has improved in the month of March with substantial workforce capacity ranging from 85% - 98%. This covers the manufacturing plants in Pingshan, Kuichong, Jiaxing, Chengdu and Suzhou. IMI is also working with China local governments on possible incentives to support the business.

In April 2020, IMI Group announced the shutdown of nonessential activities in IMI Mexico from April 1 to May 30, 2020. IMI Mexico, which contributes approximately 13% to IMI's global revenue, has suspended regular operations in its Guadalajara facilities in line with local directives.

IMI Philippines, PSi and STI Cebu also remain to be on partial operations until May 15, 2020 in line with the ECQ imposed by the Philippine government.

Skeletal workforce remains to be deployed to support critical business operations in the abovementioned facilities. The company continues to prioritize the health, safety, and welfare of its employees and will abide by all government mandated guidelines.

IMI Group will monitor the developments of the COVID-19 situation closely and continue to assess its impact on the 2020 financial position and performance of the IMI Group.

Parent Company

a) In January 2020, the Parent Company made capital infusion to AC Industrials amounting to ₱206.5 million to support its automotive business unit's operations.

b) On various dates in January to March 2020, the Parent Company made a capital infusion to AC Health amounting to ₱1,929.5 million mainly to support new businesses as follows: Healthway (₱1,478.1 million), Zapfam (₱121.4 million), Vigos Ventures, Inc. (₱104 million) and Zodiac Zodiac Prime Ventures Holdings, Inc. (₱87 million).

c) On March 12, 2020, the Parent Company's BOD approved an additional funding of up to ₱600.0 million to fund investment of AC Infra in Entrego Fulfillment Solutions, Inc.(Entrego).

d) On March 12, 2020, the Parent Company's BOD approved the consolidation of ACEI's international and Philippine assets under an asset-for-share swap of ACEPH shares to Presage shares (common and redeemable preferred shares) subject to certain conditions and terms. This will result in transfer of direct ownership of Presage from ACEI to ACEPH. Certain renewables assets and business of ACEI are under Presage.

e) On March 12, 2020, the Parent Company's BOD, at its regular meeting, ratified and approved the amendment of our By-Laws, Board Charter and Corporate Governance Manual (CG Manual), as endorsed by the Corporate Governance and Nomination Committee. The amendments to the By-Laws are intended for alignment with the Revised Corporation Code and good corporate governance practices.

   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 approval by the SEC. This matter will be presented to the stockholders at their annual meeting on April 24, 2020 as part of the acts of Board for ratification.

   The revisions to the Board Charter include a more comprehensive enumeration of the responsibilities of the Board and the individual directors, statements pertaining to the Board diversity policy, new sections or independent directors, liability of directors, and performance assessment, discussion on the roles and responsibility of the Chairperson and an updated section of the Corporate Secretary.

   The CG Manual was amended to align with the revisions in the By-Laws and Board Charter and is accessible in the Parent Company's website through the following link: https://ayala.com.ph/sites/default/files/AC%20Revised%20CG%20Manual%20as%20of%20Mar ch%2012%2C%202020.pdf.

ALI

a) On January 21, 2020, ALI clarified news about the U.P.-Ayala Land Technohub development lease arrangement with the University of the Philippines (UP). UP will receive a total value of ₱171 per square meter, per month. This was derived from ₱4.23 billion in lease payments and a ₱6 billion investment for 16 commercial buildings, for a total amount of ₱10.23 billion, over the life of the 25-year contract. After 2033, UP as owner, will receive 100% of the buildings' rent. UP also continues to own the land which has appreciated in value since the start of the UP-ALI partnership.

b) On February 7, 2020, ALI's subsidiary, AREIT, Inc., filed its application for a REIT offering to the SEC, following the release of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9856, or the Real Estate Investment Trust Act of 2009 last January 20, 2020.

   ALI seeks to do an Initial Public Offering (IPO) of AREIT, Inc. after receiving the regulatory approvals from the SEC and PSE.

c) On February 20, 2020, the BOD approved the raising of up to ₱10 billion through the issuance of retail bonds under its current Shelf Registration program and will be listed on the PDEx to partially finance general corporate requirements and to refinance maturing loans.

d) The BOD also approved the increase of additional ₱25 billion to ALI's current share buyback program bringing the available balance to ₱26.1 billion. The program will be implemented through open market purchases executed via the trading facilities of the Philippine Stock Exchange.

   On various dates in February to March 2020, ALI purchased a total of 4,412,000 common shares at an average price of ₱35.67/share for a total consideration of ₱156.4 million, pursuant to its share buyback program.

e) On February 20, 2020, the ALI BOD approved the declaration of cash dividends amounting to ₱0.268 per outstanding common share. This reflects a 3% increase from the cash dividends declared in the first half of 2019 amounting to ₱0.26 per share. These will be paid on March 20, 2020 to shareholders on record as of March 6, 2020.

f) The fair value of ALI shares held by the Parent Company amounted to ₱197.7 billion and ₱297.8 billion as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively. The voting rights held by the Group in ALI as of March 31, 2020 and December 31, 2019 is equal to 67.3%.

MWC

a) On January 29, 2020, MWC received a response letter from the MWSS RO confirming that the twenty-five (25)-year Concession Agreement from 1997 to 2022 and the Memorandum of Agreement and Confirmation between MWC and MWSS providing for the fifteen (15)-year extension from 2022 to 2037 have not yet been cancelled.

b) On January 31, 2020, the BOD approved the amendment of the Seventh Article of the Articles of Incorporation to increase the authorized capital stock from ₱3.5 billion to ₱4.4 billion, which increase will consist of an additional 900.0 million common shares. The BOD also approved the increase in the carved-out shares from 300.0 million to 900.0 million unissued common shares and to allow the issuance of the carved-out shares "for cash, properties or assets to carry out" the corporate purposes" of MWC as approved by the BOD. Both the increase in authorized capital stock and the increase in the carved-out shares were ratified at the annual stockholders' meeting on April 17, 2020.

c) On February 1, 2020, MWC and Prime Metroline Holdings, Inc., on behalf of a company to be incorporated (to be named Trident Water), signed a subscription agreement for the acquisition of 820.0 million common shares (equivalent to 24.96% economic rights) of MWC at ₱13.00 per share.

   On February 6, 2020, the Parent Company, as part of the shareholder agreement to be executed among itself, its wholly owned subsidiary Philwater and Trident Water, Ayala's Executive Committee approved the grant of proxy rights by Philwater to Trident Water over its 4.0 billion preferred shares to enable the latter to achieve 51.0% voting interest in MWC, subject to the fulfillment of the conditions set forth in the subscription agreement. Upon the grant of proxy rights to Trident Water, the Parent Company's effective voting interest in MWC will stand at 31.60%. This arrangement aims to strategically rationalize the economic and voting stakes between the Parent Company and Trident Water as strategic partners in MWC.

On February 7, 2020, MWC received a letter from Prime Metroline Holdings, Inc. that it has announced through publication in a newspaper of general circulation, its intention to make a mandatory offer for the shares of MWC at an offer price of ₱13.00 per share.

The subscription agreement will become effective after certain conditions precedent are met, including relevant third-party consents and regulatory approvals.

On February 11, 2020, the Parent Company clarified that the shareholders agreement related to the subscription of shares of MWC by Trident Water will take effect after the closing of the subscription agreement, which will be after the annual stockholders' meeting of MWC on April 17, 2020 and after regulatory approvals have been obtained. This includes the SEC's approval of the denial of pre-emptive rights with respect to the issuance of shares to Trident Water. The closing of the subscription agreement is conditioned on the continuing effectivity of MWC's material contracts.

d) On February 3, 2020, MW Consortium and the Provincial Government of Cebu (PGC) signed the Terms of Reference for the interim protocol between both parties pending Settlement with Finality of the Dispute between MW Consortium and PGC.

e) On February 17, 2020, the BOD of MWPVI approved the extension of Zamboanga Water's shareholder loan amounting to ₱76.0 million which will be used by Zamboanga Water for the prepayment in 2020 of its outstanding loan with Development Bank of the Philippines. The prepayment was made on March 30, 2020

f) Tagum Water received a Notice of Award for the Construction of Well 3 and 4 amounting to ₱38.00 million dated January 9, 2020 and Notice of Award for the Construction of Artificial Recharge amounting to ₱75.00 million dated February 21, 2020.

g) On March 16, 2020, Ilagan Water signed and executed a Bulk Water Sales and Purchase Agreement with the City of Ilagan Water District (CIWD), for the supply of bulk water to CIWD for a period of twenty-three (23) years from the Operation Start Date.

h) On March 4, 2020, San Jose Water District and Manila Water Philippine Ventures signed a Joint Venture Agreement for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply and sanitation facilities and services of San Jose Water District

i) The fair value of the MWC shares held by the Group amounted to ₱8.3 billion and ₱9.0 billion as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively. The voting rights held by the Group in MWC as of March 31, 2020 and December 31, 2019 is equal to 80.2%.

IMI

a) On February 24, 2020, the BOD of IMI authorized and approved the execution of a shareholders' agreement among Coöperatief IMI Europe U.A. (Cooperatief), the noncontrolling shareholder of VIA, and VIA Optronics AG to extend the exercise period of the noncontrolling shareholder's 5% put option right, subject to, among others, Cooperatief having a right of first refusal over said non-controlling shareholder's shares including those transferred to his immediate family.

b) The fair value of the IMI shares held by the Group amounted to ₱5.2 billion and ₱9.1 billion as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively. The Parent Company and AC Industrials effectively own 52.1% of IMI which is equivalent to the voting rights held by the Group as of March 31, 2020 (unaudited) and December 31, 2019 (audited).

AC Energy

a) On September 16, 2019, ACEPH signed a baseload Power Purchase Agreement ("PSA") and a midmerit PSA both with MERALCO for the supply of 200MW baseload and 110MW mid-merits capacity, respectively, to MERALCO. The baseload PSA and the mid-merit PSA have been applied for approval with the Energy Regulatory Commission ("ERC"), the review of which is on-going. On December 10, 2019, the ERC issued provisional authorities for the two (2) PSAs, while hearings for the issuance of final authority is on-going. On February 7, 2020, ACEPH filed motions for reconsideration with the ERC to ask for a re-evaluation of the provisional authorities and an increase in the provisionally approved rates.

b) On November 14, 2019, ACEPH signed a First Amended and Restated Share Purchase Agreement with the investors of the Philippine Investment Alliance for Infrastructure (PINAI) for the acquisition of PINAI's indirect ownership interest in NLR. PINAI is a fund composed of Macquarie Infrastructure Holdings (Philippines) Pte. Limited, the Government Service Insurance System, and Langoer Investments Holding, B.V. It has a 31% preferred equity ownership and 15% common equity ownership in NLR. The acquisition is subject to certain conditions precedent including the approval by the PCC. PCC approval was obtained on February 4, 2020. The acquisition was thereafter completed on February 27, 2020, with GIGA ACE 1, ACEPH's designated affiliate as buyer, purchasing PINAI's ownership interest in NLR.

c) On December 2, 2019, ACEPH signed a Share Purchase Agreement with PINAI for the acquisition of PINAI's ownership interest in Sacasol. PINAI is a fund composed of Macquarie Infrastructure Holdings (Philippines) Pte. Ltd., the Government Service Insurance System, and Langoer Investments Holding, B.V. PINAI has a 96% economic interest in Sacasol. The acquisition is subject to certain conditions precedent including the approval by PCC.

On February 13, 2020, the PCC ruled that the PINAI sale of SACASOL shares "will not likely result in substantial lessening of competition" and resolved "to take no further action with respect to the Transaction." PCC approval was obtained on February 18, 2020.

On March 23, 2020, the acquisition of the PINAI Investors' ownership interest in SACASOL and payment of the purchase price in the amount of ₱2.981 billion were completed by Giga Ace 2, Inc., ACEPH''s wholly-owned subsidiary and the entity designated by ACEPH' to purchase the PINAI Investors' shares in SACASOL.

The provisional fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follow (in thousands):

Assets		
Cash and cash equivalents	₱	232,560
Receivables		120,281
Property, plant and equipment		3,068,748
Other assets		119,662
		3,541,251
Liabilities		
Accounts payable and accrued expenses		43,085
Loans and other noncurrent liabilities		79,874
		122,959
Net assets		3,418,293
Less: Cost of acquisition		2,981,863
Provisional negative goodwill (other equity reserves)	₱	436,430
Cash consideration		2,981,863
Less cash acquired from the subsidiary		232,560
Net cash outflow	₱	2,749,303

d) On December 2, 2019, ACEPH signed a Share Purchase Agreement with the PINAI for the acquisition of PINAI's ownership interest in Islasol. PINAI is a fund composed of Macquarie Infrastructure Holdings (Philippines) Pte. Ltd., the Government Service Insurance System, and Langoer Investments Holding, B.V. PINAI has a 98% economic interest in Islasol. The acquisition is subject to certain conditions precedent including the approval by PCC.

On February 26, 2020, the PCC ruled that the ACEPH's acquisition of the PINAI Investors' ownership interest in ISLASOL "will not likely result in substantial lessening of competition" and resolved "to take no further action with respect to the proposed Transaction." PCC approval was obtained on February 28, 2020

On March 23, 2020, of the acquisition of the PINAI Investors' ownership interest in ISLASOL and payment of the purchase price in the amount of ₱1.629 billion by Giga Ace 3, Inc. were completed. Giga Ace 3 is ACEPH's wholly-owned subsidiary and the entity designated by the ACEPH' to purchase the PINAI Investors' shares in ISLASOL.

The provisional fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follow (in thousands):

Assets		
Cash and cash equivalents	₱	461,012
Receivables		94,004
Property, plant and equipment		5,605,634
Other assets		153,517
		6,314,167
Liabilities		
Accounts payable and accrued expenses		2,213,438
Loans and other noncurrent liabilities		113,516
		2,326,954
Net assets		3,987,213
Less: Cost of acquisition		1,629,969
Provisional negative goodwill (other equity reserves)	₱	2,357,245
Cash consideration		1,629,969
Less cash acquired from the subsidiary		461,012
Net cash outflow	₱	1,168,957

e) On March 17, 2020, ACEI's BOD approved the consolidation of its international business and assets into ACEPH via a tax-free exchange, whereby ACEI will transfer 100% of its shares of stock in Presage (a 100%-owned subsidiary holding ACEI's international business and investments), consisting of 650,166,347 common shares and 15,035,347,600 redeemable shares, to ACEPH in exchange for the issuance to ACEI of additional common shares.

On March 18, 2020, ACEPH's BOD approved the consolidation and on March 31, 2020, ACEPH's Executive Committee confirmed the recommendation following an independent valuation of Presage and ACEPH. In exchange for the shares in Presage, ACEI shall subscribe to a total of 16,685,800,533 common shares of ACEPH at Two and 97/100 Pesos (₱2.97) per share or a total transfer value of ₱49,557 million.

The common shares shall be issued after an increase in the authorized capital stock (ACS) of ACEPH. The increase in the ACS and the tax free exchange are subject to regulatory approvals.

f) On March 26, 2020, the Parent Company confirmed the new article titled "AC Energy, Vietnam firm to expand wind project" published online on same day by Manila Times. AC Energy and Vietnamese partner, The Blue Circle Pte. Ltd., are proceeding with the expansion of the Mui Ne wind project with a second 40-megawatt (MW) phase to be commissioned in 2021 in Binh Thuan province in Vietnam.

g) On February 27, 2020, ACEPH subscribed to 75,000 common shares of Giga Ace 1 with par value of ₱1 per share to be issued out of the unissued authorized capital stock ("ACS"), and 43,069,625 common shares with par value of ₱1 per share and 53,562,609 Class A redeemable preferred shares with par value of ₱40 per share to be issued out of increase in ACS of Giga Ace 1. On the same date, Giga Ace 1 executed Deeds of Absolute Sale of Shares for the acquisition of 27.07% effective interest in Philippine Wind Holdings Corporation ("PhilWind").

On March 4, 2020 ACEPH signed a subscription agreement with Giga Ace 1 for the subscription by the ACEPH to additional 1,170,000 common shares and 32,500 Class A redeemable preferred shares to be issued out of the increase in ACS of Giga Ace 1.

h) On March 20, 2020, ACEPH signed a subscription agreement with Giga Ace 2 for the subscription by ACEPH to 3,041,096,860 common shares with par value of ₱1 per share to be issued out of the increase in ACS of Giga Ace 2.

On March 23, 2020, Giga Ace 2 executed Deeds of Absolute Sale of Shares for the acquisition of 96% economic interest in San Carlos Solar Energy, Inc. (SACASOL).

i) On March 20, 2020, ACEPH signed a subscription agreement with Giga Ace 3 for the subscription by ACEPH to 1,662,654,537 common shares with par value of ₱1 per share to be issued out of the increase in ACS of Giga Ace 3.

On March 23, 2020, Giga Ace 3 executed Deeds of Absolute Sale of Shares for the acquisition of 98% economic interest in SACASOL.

AC Health

a) On December 6, 2019, AC Health signed a binding agreement to acquire a 100% stake in Healthway Philipines, Inc. (Healthway) from Healthway Asia Ltd. Healthway Philippines, Inc. owns, through its wholly-owned subsidiary HMC, Inc., the Healthway chain of clinics that comprises of 7 mall-based specialty clinics and 40 corporate clinics in the country.

   On January 15, 2020, AC Health and Healthway Asia Ltd. completed the transaction, making AC Health the new sole owner of Healthway Philippines, Inc. As of March 12, 2020, the acquisition-date fair value is still incomplete.

b) On various dates in January to March 2020, the Parent Company made a capital infusion to AC Health amounting to ₱1,929.5 million mainly to support new businesses as follows: Healthway (₱1,478.1 million), Zapfam, Inc. (₱121.4 million), Vigos Ventures, Inc. (₱104 million) and Zodiac Prime Ventures Holdings, Inc. (₱87 million).

AC Infra

a) On January 24, 2020, AC Infra made a capital infusion of ₱100.0 million into Entrego Fulfillment Solutions, Inc.(Entrego) for the subscription to additional 100.0 million preferred shares at ₱1.00 per share.

b) On January 28, 2020, AC Infra Group received capital infusion from the Parent Company amounting to ₱362.5 million for the issuance of 362,500 common shares. The shares are issued at a subscription price of ₱1,000.00 per share, ₱900.00 per share in excess of par, resulting to ₱326.25 million APIC.

c) On January 30, 2020, AC Infra made a capital infusion of ₱262.50 million into LRMHI for the subscription to 131,250,000 additional common shares at ₱2.00 per share, ₱1.00 per share in excess of par. The infusion is proportionate to its equity share in LRMHI.

d) On March 12, 2020, the Parent Company's BOD approved an additional funding of up to ₱600 million to fund investment of AC Infra in Entrego.

e) Beginning January 1, 2020, the delivery services operation was transferred from Entrego to Entrego Express Corporation (Entex), formerly Bedacon Express Corporation, a 100% subsidiary of Reliant Logistics Holdings Company, Inc. (a subsidiary of AC Infra). Entrego remained as the shared service provider of Entex and as a vehicle for future logistics-related projects.

AC Industrials

a) In January 2020, the Parent Company made a capital infusion to AC Industrials amounting to ₱205.6 million to support its automotive business unit's operations.

AAC

a) In March 2020, the Parent Company made a capital infusion to AAC amounting to ₱10.6 million to fund its various expenditures

BHL

a) On January 23, 2020, VIP infrastructure Holdings Pte. Ltd., disbursed US$82.5 million into First Myanmar Investment Public Co. (FMI) via a convertible loan facility after securing approval from the Central Bank of Myanmar. The transaction forms part of the VIP's $237.5 million investment in Yoma Group.

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 2020 (Unaudited)		December 2019 (Audited)	
		(In Millions)			
Ayala Land, Inc. and Subsidiaries					
Current assets	**₱**	**298,456**	₱	295,434	
Non-current assets		**418,222**		418,489	
Current liabilities		**217,444**		226,584	
Non-current liabilities		**256,317**		244,634	
Equity					
Attributable to owners of the parent		**210,234**		211,050	
Attributable to non-controlling interest		**32,683**		31,656	
Revenue		**28,403**		39,680	*
Net income					
Attributable to owners of the parent		**4,322**		7,322	*
Attributable to non-controlling interest		**718**		975	*
Other comprehensive income		**(555)**		134	*
Manila Water Co. Inc. and Subsidiaries					
Current assets	**₱**	**17,928**	₱	14,406	
Non-current assets		**121,034**		120,196	
Current liabilities		**25,078**		21,922	
Non-current liabilities		**56,699**		56,688	
Equity					
Attributable to owners of the parent		**55,936**		54,715	
Attributable to non-controlling interest		**1,249**		1,276	
Revenue		**5,539**		5,071	*
Net income					
Attributable to owners of the parent		**1,279**		1,233	*
Attributable to non-controlling interest		**(28)**		40	*
Other comprehensive income		**(62)**		(72)	*
Integrated Microelectronics, Inc. and Subsidiaries					
Current assets	**US$**	**621**	US$	674	
Non-current assets		**411**		422	
Current liabilities		**488**		454	
Non-current liabilities		**81**		159	
Equity					
Attributable to owners of the parent		**362**		383	
Attributable to non-controlling interest		**100**		101	
Deposit for future subscription		**-**		-	
Revenue		**256**		323	*
Net income					
Attributable to owners of the parent		**(5)**		0	*
Attributable to non-controlling interest		**(1)**		(1)	*
Other comprehensive income		**(12)**		(6)	*
AC Energy Holdings, Inc. and Subsidiaries					
Current assets	**₱**	**118,247**	₱	116,580	
Non-current assets		**102,585**		92,474	
Current liabilities		**61,594**		49,758	
Non-current liabilities		**68,403**		71,542	
Equity					
Attributable to owners of the parent		**66,958**		64,274	
Attributable to non-controlling interest		**23,877**		23,479	
Revenue		**8,743**		1,712	*
Net income					
Attributable to owners of the parent		**1,959**		2	*
Attributable to non-controlling interest		**(408)**		52	*
Other comprehensive income		**39**		31	*

***** *Based on unaudited March 31, 2019.*

As of March 31, 2020 (unaudited), the proportion of economic ownership held by material non-controlling interest of ALI, MWC and IMI are 55.5%, 48.6% and 47.9%, respectively, while the voting rights held are 32.7%, 19.8% and 47.9%, respectively.

4. Cash and Cash Equivalents

This account consists of the following:

		March 2020 (Unaudited)		December 2019 (Audited)
		(In Thousands)		
Cash on hand and in banks	₱	**36,679,913**	₱	50,403,614
Cash equivalents		**64,012,820**		43,001,639
	₱	**100,692,733**	₱	93,405,253

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 ₱24.5 billion and ₱24.9 billion, as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively (see Note 23).

5. Short-term Investments

This account consists of the following:

		March 2020 (Unaudited)		December 2019 (Audited)
		(In Thousands)		
Money market placements	₱	**1,046,208**	₱	13,387,801

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 ₱0.6 million and ₱247.7 million, as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively (see Note 23).

6. Accounts and Notes Receivable

This account consists of the following:

		March 2020 (Unaudited)		December 2019 (Audited)
		(In Thousands)		
Trade:				
Real estate	₱	**125,304,133**	₱	124,310,805
Electronics		**11,607,269**		14,687,014
Power generation		**5,332,110**		4,689,762
Automotive		**3,248,811**		3,047,040
Information technology and BPO		**372,473**		314,422
International and others		**940,084**		848,985
Advances to other companies		**26,253,961**		23,593,209
Receivable from related parties (Note 23)		**10,219,673**		14,491,228
Receivable from officers and employees (Note 23)		**1,660,547**		1,505,310
Dividend receivable		**183,006**		145,010
Others		**1,528,791**		1,384,579
		186,650,856		189,017,364
Less allowance for expected credit losses		**2,390,739**		2,428,362
		184,260,118		186,589,001
Less noncurrent portion		**54,401,799**		55,720,290
	₱	**129,858,319**	₱	130,868,711

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

	Neither Past Due Nor Impaired	Past Due But Not Impaired <30 days	30-60 days	61-90 days	91-120 days	>120 days	Sub-Total	Individually Impaired	TOTAL
	in Millions								
Trade:									
Real estate	₱ 105,281	₱ 6,655	₱ 1,751	₱ 1,463	₱ 1,277	₱ 4,840	₱ 15,986	₱ 616	₱ 121,883
Electronics manufacturing	9,336	1,423	523	132	32	115	2,225	46	11,607
Water infrastructure	-	-	-	-	-	-	-	-	-
Automotive	869	733	301	226	533	557	2,350	30	3,249
Power generation	5,227	-	-	-	-	-	-	105	5,332
Information technology and BPO	226	68	25	17	10	26	146	-	372
International and others	727	177	13	13	1	9	213	-	940
Advances to other companies	20,956	1,047	119	216	419	6,865	8,666	196	29,818
Receivable from related parties	7,953	726	453	221	199	587	2,186	10	10,150
Receivable from officers and employees	1,559	23	4	4	6	64	101	1	1,661
Dividend receivable	183	-	-	-	-	(0)	(0)	-	183
Others	1,426	9	2	1	2	15	30	-	1,456
TOTAL	₱ 153,743	₱10,861	₱ 3,191	₱ 2,293	₱ 2,480	₱13,078	₱ 31,902	₱ 1,005	₱ 186,651

The classes of trade receivables of the Group follow:

Real estate and hotels
Real estate receivables consist of:
- Residential, commercial and office development - pertain to receivables from the sale of high-end, upper middle-income and affordable residential lots and units; economic and socialized housing units and sale of commercial lots; sale of office units; and leisure community developments. @
- Corporate business - pertain to lease receivables from office and factory buildings and receivables from sale of industrial lots
- Shopping centers - pertain to lease receivables from retail spaces
- Construction contracts - pertain to receivables from third party construction projects
- Management fees - pertain to receivables from facilities management services
- Others - pertain to receivables from hotel operations and other support services

Residential, commercial and office development receivables are collectible in monthly installments over a period of one (1) to ten (10) years. These are carried at amortized cost using the effective interest rate method with annual interest rates ranging from 6.3% to 13.5%. 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 ₱4,231 million and were sold at a discount with total proceeds of ₱3,937 million in March 31, 2019 (unaudited). ALI Group recognized loss on sale, booked under “Other Financing Charges” amounting to ₱294 million for the period ended March 31, 2019 (unaudited). No receivable was sold for the period ended March 31, 2020 (unaudited).

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

Power generation
Power generation receivables pertain to AC Energy Group’s receivable from Philippine Electric Market Corporation (PEMC), National Grid Corporation of the Philippines (NGCP), National Transmission Corporation (TransCo) for the FIT and from the Group’s bilateral customers. It

consists of both noninterest-bearing and interest-bearing receivables. The term is generally 30-to-60 days.

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

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

Water
Water 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.

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

The nature of the Group's other receivables follows:

Advances to other companies
Advances to other companies mainly pertain to ALI's advances to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur.

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

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

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

Set off shall be effective as of the beginning of every calendar month, commencing January 30, 2015 and shall result in the settlement of the portion of the Total DRP Payables to the extent of the amount of the commercial center royalties then the balance will fall due to the relevant MRTDC Shareholders.

In 2019, AC Industrials extended a loan to Roadworthy Cars, Inc. (RCI) amounting to ₱1.6 billion which bears interest at the rate of 16% per annum and which accrue from, and shall be paid by RCI, beginning on the second anniversary of the commencement of business of KP Motor Corporations. For the succeeding years until the repayment date, interest on the principal amount of the loan shall accrue with respect to the outstanding amount of the loan at the rate of 8% per annum and is payable for a period of 10 years. As of March 31, 2020 (unaudited) and December

31, 2019 (audited), loans receivable from RCI amounted to ₱1,727 million and ₱1,697 million, respectively.

Receivables from officers and employees
Receivable from officers and employees pertain to housing, car, salary and other loans granted to the Group's officers and employees which are collectible through salary deduction, are interest bearing (6.0% per annum) and have various maturity dates.

Others
Other receivables include accrued interest receivable and other nontrade receivables from non-related entities which are non-interest bearing and are due and demandable. This also includes receivable from the DPWH pertaining to the additional costs incurred by the Parent Company in the construction of the Daang Hari-South Luzon Expressway (SLEX) Link Road arising from the government directive to revise the interconnection design of the road amounting to ₱215.9 million in March 31, 2020 (unaudited) and December 31, 2019 (audited).

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

Provisions for ECL amounted to ₱76.1 million and ₱44.5 million for the periods ended March 31, 2020 and 2019 (both unaudited), respectively, which form part of the Group's General and Administrative Expenses.

7. Inventories

This account consists of the following:

	March 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Residential and condominium units and offices	₱ **75,624,591**	₱ 67,924,015
Residential and commercial lots	**42,482,308**	52,363,671
Materials and suppplies	**11,024,750**	9,067,169
Vehicles	**5,064,505**	4,142,126
Finished goods	**99,481**	551,462
Work-in-process	**897,410**	1,283,266
Others	**133,948**	468,676
	135,326,992	135,800,385
Less: Allowance for inventory obsolescence and decline in value	**682,958**	736,083
	₱ **134,644,035**	₱ 135,064,303

The Group's provision for inventory obsolescence and write-off amounted to ₱18.3 million and ₱12.5 million for the period ended March 31, 2020 and 2019 (both unaudited), respectively. The provision is included under General and Administrative Expenses account.

8. Other Current Assets and Other Noncurrent Assets

These accounts consist of the following:

		March 2020 (Unaudited)		December 2019 (Audited)
		(In Thousands)		
Other current assets				
Prepaid expenses	₱	**19,170,096**	₱	15,374,122
Input VAT		**16,286,168**		15,877,481
Advances to contractors		**13,212,945**		13,260,900
Financial assets at FVTPL		**13,969,728**		9,726,080
Creditable withholding tax		**6,166,354**		5,546,478
Deposits in escrow		**317,696**		239,526
Derivative assets		**380,123**		338,612
Others		**1,722,085**		2,569,795
	₱	**71,225,196**	₱	62,932,994
Other noncurrent assets				
Advances to contractors	₱	**9,834,796**	₱	13,664,137
Investment in bonds and other securities		**10,601,528**		8,208,898
Deferred charges		**12,097,541**		11,517,876
Deposits - others		**2,927,730**		3,330,646
Creditable withholding taxes		**1,634,244**		2,208,663
Deferred input VAT		**1,387,573**		2,045,667
Pension assets		**78,301**		80,596
Others		**4,574,017**		6,247,046
	₱	**43,135,730**	₱	47,303,529

Other current assets include the following:

a) Input VAT
Input VAT is applied against output VAT. The remaining balance is recoverable in future periods.

b) Prepaid expenses
Prepaid expenses mainly include prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance. ALI's cost to obtain contracts includes prepaid commissions and advances to brokers. In line with ALI Group's accounting policy, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgment was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract specific key performance indicators that could trigger variable consideration, or service credits.

c) Advances to contractors
Advances to contractors represents prepayments for the construction of inventories.

d) Financial Assets at FVTPL
The Group's financial assets at FVTPL pertain to government securities and other investment securities.

e) Creditable withholding tax
The Group will be able to apply the creditable withholding taxes against income tax payable.

f) Deposits in escrow
Deposits in escrow pertain to the proceeds from the sale of ALI Group that have been only granted with a temporary License To Sell (LTS) by the Housing and Land Use Regulatory Board

(HLURB). For projects with temporary LTS, all payments, inclusive of down payments, reservation, and monthly amortization, among others, made by the buyer within the selling period shall be deposited in an escrow account

g) <u>Others</u>
Others include deferred charges, accrued liquidated damages, among others.

Other noncurrent assets include the following:

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

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

c) <u>Deferred input VAT</u>
Deferred input VAT pertains to unamortized VAT portion from purchases of capital goods.

d) <u>Investments in Bonds and Other Securities</u>
This account consists of bonds and equity investments, which are classified as financial assets at FVOCI and financial assets at FVTPL.

Investment in Bonds
Investment in bonds pertain to non-interest bearing bonds with a term of 36-months. The Group recorded the investment as financial asset at FVTPL. The fair value of the investment in bonds is determined using the binomial lattice approach. The fair value of the investment is categorized under Level 3.

Quoted Equity Investments
Quoted equity instruments consist mainly of investments in listed equity securities and golf club shares.

Unquoted Equity Investments
Unquoted equity investments include unlisted preferred shares in public utility companies which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects, water utilities projects, and to its other operations.

e) <u>Deposits - others</u>
This includes deposits and advances for projects which include escrow deposits and security deposits on land leases, electric and water meter deposits.

f) <u>Others</u>
Others pertain to prepayments for expenses that is amortized for more than one year. This also includes restricted cash that is not available for use by the Group.

Increase in other current assets mainly due to BHL's investment in FMI (see Note 3) and higher CWT, input tax and prepayments of certain subsidiaries. Decrease in other noncurrent assets mainly due to ALI's lower real estate project advances partly offset by AC Energy's reclassification of certain investments to financial assets at FVOCI.

9. Right-of-use Assets and Lease Liabilities

PFRS 16 standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet. Thus, the Group as lessee is required to recognize right-of-use assets and lease liabilities.

As a lessee, the Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. Under the modified retrospective approach, the Group recognized right-of-use asset based on its carrying amount as if PFRS 16 had always been applied while the lease liability is recognized at date of adoption, January 1, 2019. The difference between the right-of-use asset and lease liability is recognized in the beginning Retained Earnings as at January 1, 2019.

The Group has lease contracts for land, building, warehouses and various items of plant, machinery, vehicles and other equipment. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to the accounting policy for leases prior to January 1, 2019.

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

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

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

The Group also applied the available practical expedients wherein it:

- Used discount rates to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The rollforward analysis of right-of-use (ROU) assets and lease liabilities follows (in thousands):

	ROU Assets	Lease Liabilities
Beginning balances, January 1, 2020 (Audited)	**₱ 18,220,573**	**₱ 22,381,165**
Additions during the year including interest	**656,500**	**520,037**
Depreciation	**(436,096)**	
Payments		**(654,293)**
Others	**290,798**	**402,385**
Ending Balance, March 31, 2020 (Unaudited)	**₱ 18,731,775**	**₱ 22,649,293**

	ROU Assets	Lease Liabilities
Beginning balances, January 1, 2019	₱ 18,463,568	₱ 21,571,203
Additions during the year including interest	569,765	892,879
Depreciation	(1,401,270)	
Payments		(1,963,807)
Others	588,510	1,880,891
Ending Balance, December 31, 2019 (Audited)	₱ 18,220,573	₱ 22,381,165

For the period ended March 31, 2020, the Group's rental or lease expenses arising from certain contracts and are exempted from PFRS 16 amounted to: from short-term leases - ₱77,219 million, from lease of low value items - ₱1,548 million and from variable lease payments - ₱33,585 million.

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, 2020 (unaudited) and December 31, 2019 (audited) are as follows:

	% of Economic Ownership		Carrying Amounts	
	March 2020 (Unaudited)	December 2019 (Audited)	**March 2020 (Unaudited)**	December 2019 (Audited)
Domestic:			(In Millions)	
Bank of the Philippine Islands (BPI)	**32.9**	32.9	**₱ 109,360**	₱ 108,440
Liontide Holdings Inc. (LHI)*	**78.1**	78.1	**49,605**	49,266
Globe Telecom, Inc. (Globe)*	**30.9**	30.9	**26,664**	25,654
OCLP Holdings, Inc. (OHI)	**21.0**	21.0	**8,667**	8,540
AA Thermal, Inc. (AATI)**	**40.0**	40.0	**5,384**	5,349
iPeople, Inc. (IPO)**	**33.5**	33.5	**5,180**	5,183
Light Rail Manila Holdings, Inc. (LRMHI)	**50.0**	50.0	**4,923**	4,595
Philippine Wind Holdings Corporation (PWHC)*	**42.9**	42.9	**4,404**	1,662
Emerging City Holdings, Inc. (ECHI)*	**50.0**	50.0	**4,155**	4,076
ALI-ETON Property Development Corporation*	**50.0**	50.0	**3,297**	3,295
AKL Properties, Inc. (AKL)*	**50.0**	50.0	**2,274**	2,274
Berkshire Holdings, Inc. (BHI)*	**50.0**	50.0	**2,037**	2,003
Bonifacio Land Corporation (BLC)	**10.0**	10.0	**1,510**	1,479
Cebu District Property Enterprise, Inc. (CDPEI)*	**35.0**	35.0	**1,438**	1,443
Asiacom Philippines, Inc. (Asiacom)*	**60.0**	60.0	**1,427**	1,427
IE Medica, Inc. (IEM)	**49.0**	49.0	**1,192**	1,192
Alveo-Federal Land Communities, Inc.*	**50.0**	50.0	**920**	904
BF Jade E-Services Philippines, Inc. (BF Jade/Zalora)	**44.7**	44.7	**726**	762
Rize-Ayalaland (Kingsway) GP Inc. (Rize-Ayalaland)	**49.0**	49.0	**451**	451
Foreign:				
Star Energy Salak-Darajat B.V. (Salak-Darajat) (incorporated in Indonesia)	**19.8**	19.8	**10,942**	11,041
Yoma Strategic Holdings, Inc. (YSH) (incorporated in Myanmar)	**14.9**	14.9	**5,444**	5,498
UPC-AC Energy Australia Ltd. (incorporated in Australia)*	**50.0**	50.0	**1,386**	1,327
Others	**Various**	Various	**1,191**	870
			₱ 252,577	₱ 246,731

** 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 2020 (Unaudited)		December 2019 (Audited)
		(In Millions)		
Total Resources	₱	**2,191,756**	₱	2,205,030
Total Liabilities	₱	**1,915,628**	₱	1,931,996
Capital Funds Attributable to the Equity Holders of BPI		**272,698**		269,577
Capital Funds Attributable to the Noncontrolling Interest		**3,430**		3,457
Total Liabilities and Capital Funds	₱	**2,191,756**	₱	2,205,030

BPI's Consolidated Statements of Income

		March 2020 (Unaudited)		March 2019 (Unaudited)
		(In Millions, except earnings per share)		
Interest Income	₱	**25,405**	₱	24,819
Other Income		**7,121**		6,732
Total Revenues		**32,526**		31,551
Operating Expenses		**12,528**		12,068
Interest Expense		**7,269**		8,766
Impairment Losses		**4,226**		1,803
Provision for Income Tax		**2,122**		2,127
Total Expenses		**26,145**		24,764
Net Income for the Period	₱	**6,381**	₱	6,787
Attributable to:				
Equity Holders of BPI	₱	**6,385**		6,723
Noncontrolling Interest		**(4)**		64
	₱	**6,381**	₱	6,787
EPS	₱	**4.89**	₱	1.49

a) On January 24, 2020, BPI upsized its Bond Offer five-fold to ₱15.3 billion from an initial target size of ₱3 billion, due to strong demand from both retail and institutional investors. The Bonds has been issued, and is now tradable on the Philippine Dealing & Exchange Corp. (PDEx). The issuance is BPI's second peso bond transaction, following its landmark ₱25 billion bond issuance in 2018.The Bonds has an interest rate of 4.2423% p.a. payable quarterly, and a tenor of two (2) years. BPI Capital Corporation (BPI Capital) and Standard Chartered Bank, Philippine Branch (SCB), served as the joint lead arrangers of the bonds. BPI Capital was sole selling agent, while SCB was participating selling agent.

b) On March 27, 2020, BPI exceeded its initial target size of ₱5.0 billion for its latest Bond Offer by more than six-fold, reaching ₱33.9 billion due to strong demand from institutional investors as well as high-net-worth and retail clients. The Bonds has been issued, and are now tradable on the PDEx. The Bonds has an interest rate of 4.05% p.a. payable quarterly, and a tenor of one and a half (1½) years. BPI decided to close the offer period last March 6, 2020, 11 days ahead of the original schedule on March 17. This decision was based on the consolidated order book having reached over ₱42.0 billion despite being priced at the tightest end of the indicative pricing range. BPI Capital and ING Bank N.V., Manila Branch (ING), served as the joint lead arrangers of the bonds. BPI Capital was sole selling agent, while ING was participating selling agent.

c) COVID-19 pandemic and the resulting ECQ similarly pose a challenge to BPI, both in ensuring personnel health and safety and in continuing the BPI's operations. Nevertheless, BPI's strategic initiatives on digitalization, improvements on IT infrastructure and cybersecurity technology, and availability of business recovery sites enabled the continued delivery of BPI's products and services to its customers, though on a scaled-down level. Though additional expenses are expected due to the pandemic, BPI is sufficiently capitalized and has more than adequate reserves for operational risk losses. Impacting BPI's net income was its aggressive provisioning, as impairment losses increased ₱2.42 billion ending at ₱4.22 billion versus ₱1.80 billion from the same period last year.

d) The fair value of BPI shares held by the Parent Company amounted to ₱91.7 billion and ₱130.4 billion as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively. The effective voting rights held by the Group in BPI as of March 31, 2020 (unaudited) and December 31, 2019 (audited) is equal to 49.7% and 49.8%, respectively.

e) The Parent Company's share in the net identifiable assets of BPI amounted to ₱90.7 billion as of March 31, 2020 (unaudited). There were no dividends received from BPI for the period ended March 31, 2020 and 2019 (both unaudited).

LHI

a) As of March 31, 2020, the Parent Company's direct ownership in LHI is equal to 78.1%, while LHI's direct ownership in BPI is equal to 20.0%. The fair value of BPI shares held by LHI amounted to ₱55.9 billion and ₱79.5 billion as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively. The Parent Company and GIC Special Investments Pte. Ltd., the entity controlling Arran Investment Pte. Ltd., as joint venture partners, agreed to vote its BPI shares based on the common position reached jointly by them as shareholders.

Globe Group

Globe's Consolidated Statements of Financial Position

		March 2020 (Unaudited)		December 2019 (Audited)
		(In Millions)		
Current Assets	₱	**71,684**	₱	61,739
Noncurrent Assets		**246,492**		242,551
Total Assets	₱	**318,175**	₱	304,291
Current Liabilities	₱	**90,529**	₱	84,577
Noncurrent Liabilities		**143,057**		138,467
Equity Attributable to Equity Holders of the Parent		**84,442**		81,112
Equity Attributable to Noncontrolling Interest		**148**		135
Total Liabilities and Equity	₱	**318,175**	₱	304,291

Globe's Consolidated Statements of Income

		March 2020 (Unaudited)		March 2019 (Unaudited)
	(In Millions, except earnings per share)			
Revenues	₱	**41,191**	₱	40,636
Other Income (Losses)		**(197)**		(179)
Total Revenues		**40,995**		40,457
Costs and Expenses		**31,359**		30,661
Provision for Income Tax		**3,042**		3,066
Total Expenses		**34,400**		33,727
Net Income	₱	**6,595**	₱	6,730
Total Net Income Attributable to:				
Equity Holders of the Parent	₱	**6,581**		6,733
Noncontrolling Interest		**13**		(3)
Net Income	₱	**6,595**	₱	6,730
EPS:				
Basic	₱	**48.34**	₱	49.54
Diluted	₱	**48.08**	₱	49.33

a) On January 17, 2020, Globe Telecom, Dito Telecommunity and Smart Communications incorporated a joint venture company, Telecommunications Connectivity, Inc. (TCI) in line with the new mobile number portability initiative of the government under RA 11202 also known as the "Mobile Number Portability Act" ("the MNP Act").

TCI is expected to bring in the technical infrastructure to fulfill its primary function as a clearinghouse for the three mobile operators to ensure the smooth implementation of number porting services.

On January 20, 2020, Globe received the approval of the SEC on the incorporation of Telecommunications Connectivity Inc. The Globe Group invested ₱10.00 million for 33.33% ownership TCI.

b) On February 3, 2020, the Globe BOD approved the declaration of the first quarter cash dividend of ₱27 per common share, payable to common stockholders of record as of February 17, 2020. Total dividends amounting to ₱3.6 billion will be payable on March 4, 2020.

c) The Covid 19 pandemic and ECQ saw the Globe Group, as a telecommunications company, deemed to be an essential business and continued to provide telecommunication services to its subscribers. Nonetheless, the Globe Group experienced business disruptions brought about by the ECQ which include full work from home operations with critical skeletal force in place, suspension of Globe store operations, limitations in employee resources, slowdown in wireless and wireline network build activities, and supply chain disruptions, among others. While the Globe Group expects that this matter may cause further interruptions, the extent to which it may impact the results of operations, financial condition, and cash flows cannot be ascertained as of the date of issuance of this interim consolidated financial statements as it depends on future developments which are highly uncertain.

d) The fair value of Globe shares held by the Parent Company amounted to ₱79.4 billion and ₱83.1 billion as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively. The effective voting rights held by the Group in Globe as of March 31, 2020 and December 31, 2019 is equal to 46.7%.

e) The Parent Company's share in the net identifiable assets of Globe amounted to ₱26.1 billion as of March 31, 2020 (unaudited). The dividends received from Globe for the period ended

March 31, 2020 and 2019 (both unaudited) amounted to ₱1.1 billion and ₱0.9 billion, respectively.

IPO

a) The education sector was significantly hit by the pandemic and ECQ. The suspension of classes that started on March 09, 2020 and the declaration of the ECQ in various municipalities and regions in the Philippines effective March 15, 2020 covered the Mapúa Schools (Mapúa University in Intramuros, Mapúa Extension Campus in Makati, Malayan High School Science in Paco, Malayan Colleges Laguna in Cabuyao, and Malayan Colleges Mindanao in Davao), National Teachers' College in Quiapo, University of Nueva Caceres in Naga, and all branches of APEC Schools in Metro Manila. Disruptions to the operations of IPO and its schools during and beyond the quarantine period will be mitigated with the utilization of alternatives means to continue the students' academic work, including adoption of on-line classes, coursework online, and independent projectized learning. Measures are also in place to address the risk to the health and safety of our employees, teachers, and communities.

b) IPO's subsidiary Malayan Education System, Inc. (MESI) (operating under the name of Mapua University) is constructing a new campus on a 0.5-hectare property in Makati. The construction of the new campus is on track for completion in time for the Academic Year 2020-2021. The total project is estimated at around ₱2.5 billion and will be funded partially by debt. Except for the construction of new campus of MESI, there is no material commitment on capital expenditures other than those performed in ordinary course of trade of business.

11. Intangible Assets and Deferred Tax Assets

	March 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Intangible assets	₱ **17,810,631**	₱ 16,625,926
Deferred tax assets - net	₱ **14,038,745**	₱ 14,246,325

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

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

Increase in intangible assets pertains to AC Health's goodwill on acquisition of Healthway (see Note 3).

12. Investment Properties and Property, Plant and Equipment

	March 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Investment Properties	₱ **252,222,737**	₱ 246,732,338
Property, plant and equipment - net	₱ **95,800,589**	₱ 88,781,755

Investment properties

a) Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its own use and benefit.

b) Construction in progress pertain to buildings under construction to be leased as retail and office spaces upon completion.

The account includes Investment in Land, ₱92,035.1 million and ₱89,040.8 million as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively; Investment in Building, ₱95,022.5 million and ₱93,145.0 million as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively; and Construction-in-Progress, ₱65,165.2 million and ₱64,546.5 million as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively; net of accumulated depreciation and amortization and impairment loss.

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

Total additions to Property, Plant and Equipment and Investment Properties amounted to ₱10.2 billion and ₱6.6 billion, respectively, as of March 31, 2020. Meanwhile proceeds from Property, Plant and Equipment and Investment properties amounted to ₱120.0 million for the same period.

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

Increase in investment properties was attributable to ALI Group's completion of existing projects mainly on malls and office buildings. Increase in property, plant and equipment came from AC Energy's consolidation of Islasol and Sacasol entities (see Note 3).

13. Service Concession Assets and Service Concession Obligation

Service Concession Assets (SCA)
SCA consists of the present value of total estimated concession fee payments, including regulatory costs and local component costs, of the Parent Company, MWC, Laguna Water, Boracay Water, Clark Water, Obando Water, Calasiao Water, Bulakan Water, South Luzon Water, and Lambunao Water, pursuant to the Group's concession agreements and joint venture agreements; and the revenue from rehabilitation works which is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements and joint venture agreements.

The Parent Company has a concession agreement with the DPWH while the MWC Group has concession agreements with MWSS, PGL, TIEZA, CDC, OWD, CWD, PAGWAD, TnWD, and BuWD. These concession agreements set forth the rights and obligations of the Parent Company and MWC Group throughout the concession period.

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

MWC Water Supply Shortage
In March 2019, the large decline in La Mesa dam water levels caused water service availability in the East Zone to drop significantly, reaching its lowest level at about 68.5 meters in April 2019. In response to the effect of the water supply shortage to customers of the East Zone, on March 26, 2019, MWC announced a voluntary one-time Bill Waiver Program to be implemented in April 2019 to help alleviate the inconvenience of all customers and to assist those severely affected by the water supply shortage.

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

Supreme Court Decision in Relation to the Philippine Clean Water Act of 2004
This case arose from a complaint filed by the OIC Regional Director Roberto D. Sheen of the Environmental Management Bureau-National Capital Region (EMB-NCR) before the Pollution Adjudication Board (PAB) against MWC, Maynilad, and MWSS for alleged violation of Philippine Clean Water Act of 2004 (RA No. 9275, the "Clean Water Act"), particularly the five (5)-year deadline imposed in Section 8 thereof for connecting the existing sewage line found in all subdivisions, condominiums, commercial centers, hotels, sports and recreational facilities, hospitals, market places, public buildings, industrial complex and other similar establishments including households, to an available sewerage system. Two (2) similar complaints against Maynilad and MWSS were consolidated with this case.

On September 18, 2019, MWC received a copy of the Decision of the Supreme Court on the case 'Manila Water Company, Inc. vs. The Secretary of the Department of Environment and Natural Resources, et.al.' with G.R. No. 206823 and promulgated on August 6, 2019. In the Decision, the Supreme Court found MWC liable for fines in violation of Section 8 of the Clean Water Act in the following manner:

a. MWC shall be jointly and severally liable with MWSS for the total amount of ₱921.46 million covering the period starting from May 7, 2009 to the date of promulgation of the Decision, August 6, 2019, to be paid within fifteen (15) days from finality of the Decision.
b. From finality of the Decision until full payment of the ₱921.46 million fine, MWC shall be fined in the initial amount of ₱322,102.00 per day, subject to a further 10.00% increase every two (2) years as provided under Section 28 of the Clean Water Act, until full compliance with Section 8 of the same law.
c. c. The total amount of fines imposed by the Decision shall earn legal interest of six percent (6.00%) per annum from finality and until full satisfaction thereof.

On October 2, 2019, MWC filed a Motion for Reconsideration with the Supreme Court. As of March 31, 2020, MWC has not received any resolution from the Supreme Court.

Variation Order
On February 25, 2013, the DPWH sent a Variation Notice to Pertconsult International, the Project's Independent Consultant (IC), instructing the IC to advise the Parent Company to submit a request for Prior Clearance and Variation Proposal in connection with TRB's directive to include in the Project's design a provision for future expansion of SLEX to accommodate possible fifth lane for both directions at the Filinvest to Susana Heights Section. IC, in its letter to the Project's Management Consultant dated March 4, 2013, effectively directed the Parent Company to comply with the DPWH letter dated February 25, 2013.

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

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

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

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

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

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

On November 21, 2016, the IC recommended to the DPWH that a Certificate of Final Completion be issued for the project. Subsequently, DPWH, in its letter dated December 21, 2016, issued the certificate of completion. As of March 31, 2020 (unaudited) and December 31, 2019 (audited), the Parent Company's other receivables includes receivable from DPWH amounting to ₱215.9 million pertaining to variation order and reimbursement of right-of-way acquisition claims.

Service Concession Obligation

Provision for maintenance obligation of MCX

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

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

MWSS Concession Fees

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

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

14. Accounts Payable and Accrued Expenses

This account consists of the following:

		March 2020 (Unaudited)		December 2019 (Audited)
		(In Thousands)		
Accounts payable	₱	**89,763,507**	₱	104,887,772
Accrued expenses				
Project costs		**15,647,838**		18,269,215
Personnel costs		**8,609,134**		8,615,806
Professional and management fees		**5,177,580**		4,303,302
Rental and utilities		**2,799,619**		3,665,886
Repairs and maintenance		**3,139,528**		2,059,901
Advertising and promotions		**1,427,088**		1,418,548
Various operating expenses		**5,692,939**		5,679,697
Taxes payable		**24,140,214**		23,436,568
Liability for purchased land		**11,392,666**		9,936,887
Retentions payable		**4,868,096**		4,190,350
Interest payable		**4,029,641**		3,371,968
Related parties (Note 22)		**936,358**		1,084,061
Dividends payable		**1,713,922**		4,496,286
	₱	**179,338,130**	₱	195,416,247

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

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.

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

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

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

Decrease mainly due to lower payables of the Group caused by slowdown from Covid19 pandemic, coupled with dividend payment; partly offset by impact of consolidation of Islasol and Sacasol entities.

15. Other Current and Noncurrent Liabilities

		March 2020 (Unaudited)		December 2019 (Audited)
		(In Thousands)		
Other current liabilities	₱	**22,926,412**	₱	28,394,709
Other noncurrent liabilities	₱	**56,541,412**	₱	48,447,370

Other current liabilities include the following:

a) Deposits pertain to security and customers' deposits. Security deposits are equivalent to three (3) to six (6) months' rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

b) Nontrade payables pertain mainly to non-interest bearing real estate-related payables to contractors and various non-trade suppliers which are due within one year.

c) Financial liabilities on put option relate to the acquisition of VIA, STI and C-CON. The put options of VIA pertain to the right of the non-controlling shareholder to sell to IMI a portion of its shareholding that is approximately 5% of the issued and outstanding nominal share capital of VIA within the first and third anniversary of the agreement (5% put option) and all remaining shares held by the non-controlling shareholder upon the happening of certain trigger events (exit put options). The 5% put option is exercisable any time between the 1st and 3rd anniversary of the agreement or if prior to the 3rd anniversary, the share capital of VIA is increased, the 5% put option may be exercised within three months from registration of the capital increase. The exit put options are exercisable when there is a termination for a cause of the service agreement or the share capital of VIA is increased that will dilute the holding of non-controlling interest to below 10%.

   The put option of STI pertains to the right of the non-controlling shareholder to sell to IMI all noncontrolling interests held upon the happening of certain trigger events as specified in the shareholders agreement. The put option of STI is exercisable during the period commencing upon the earlier of: (1) No Fault Leaver Event (i.e., First Founder of STI ceases to be an employee of a member of the STI Group) occurring in respect of a Founder, (2) the aggregate relevant proportion of the Founders falling to less than 5%, or (3) the fifth anniversary of the service agreement. Mark-to-market gains (loss) on put options included under "Other income" account amounted to $3.45 million in 2019, ($5.37) million in 2018 and $2.30 million in 2017.

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

Other noncurrent liabilities include the following:

a) <u>Deposits and deferred credits</u>
   Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to three (3) to six (6) months' rent of long-term tenants with non-cancellable leases. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. This also includes customers' deposits which consist of excess of collections over the recognized receivables based on percentage of completion. Deferred credits pertain to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by ALI Group for the processing of title are charged to this account.

Customers' deposits consist of excess of collections over the recognized receivables based on percentage of completion.

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

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

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

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

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

g) Provisions
Provisions relate to pending unresolved claims and assessments (see Note 13).

h) Others
Others include nontrade payables.

Decrease in other current liabilities mainly due to lower rental deposits/ advance payments and reservation fees impacted by ECQ; while the movement in other noncurrent liabilities was primarily due to ALI's accounts.

16. Short-term and Long-term Debt

These accounts consist of the following:

		March 2020 (Unaudited)		December 2019 (Audited)
		(In Thousands)		
Short-term debt - Subsidiaries:				
Philippine peso with various interest rates	₱	**40,955,025**	₱	23,176,325
Foreign currency with various interest rates		**10,025,636**		6,612,318
	₱	**50,980,661**	₱	29,788,643
Long-term debt:				
The Parent Company:				
Bank loans with various interest rates	₱	**28,239,751**	₱	25,833,141
Bonds		**39,722,517**		39,710,925
		67,962,268		65,544,066
Subsidiaries:				
Loans from banks & other institutions:				
Philippine Peso with various interest rates		**97,358,537**		92,218,214
Foreign currency with various interest rates		**13,461,481**		15,557,079
Bonds		**113,730,456**		113,918,667
Fixed for life bonds		**60,629,932**		60,544,798
Green bonds		**20,744,648**		20,727,418
Fixed Rate Corporate Notes (FXCNs)		**7,007,466**		7,039,272
		312,932,520		310,005,448
		380,894,788		375,549,514
Less current portion		**28,400,553**		23,878,725
Non-current portion	₱	**352,494,235**	₱	351,670,789

As of March 31, 2020 (unaudited), total proceeds from availment of short-term and long-term debt amounted to ₱38.7 billion which consists mainly of proceeds from bonds and loans of Ayala (₱2.5 billion), ALI (₱21.0 billion), MWC (₱6.2 billion), IMI (₱3.6 billion), AC Energy (₱2.5 billion) and AYCFL (₱2.3 billion), while payments of short-term and long-term debt amounted to ₱8.0 billion which pertains to loan payment of ALI (₱1.4 billion), MWC (₱2.0 billion) and IMI (₱4.4 billion).

The Group has short-term and long-term debt payable to BPI amounting to ₱32.5 billion and ₱46.0 billion as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively (see Note 23). Interest expense incurred from these debts amounted to ₱110.6 million and ₱344.2 million for the period ending March 31, 2020 and 2019 (both unaudited), respectively (see Note 23).

Loans availed during March 31, 2020 have varying interest rates and maturity dates. Proceeds of loans were used for operating requirements, capital expenditures and certain investment acquisitions (see Note 3).

Parent Company

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

Year Issued	Term	Interest Rate	Principal Amount (In Thousands)	Carrying Value (In Thousands) March 2020 (Unaudited)	December 2019 (Audited)	Features
2011	10 years	6.800%	₱ 9,903,400	₱ **9,888,897**	₱ 9,885,752	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	**9,954,236**	9,952,651	Callable from the 10th anniversary issue until every year thereafter until the 14th anniversary issue date
2016	7 years	3.920%	10,000,000	**9,946,544**	9,942,735	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	**9,932,840**	9,929,787	Callable from the 6.5th anniversary issue until every year thereafter
			₱ 39,903,400	₱ **39,722,517**	₱ 39,710,925	

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

ALI

Philippine Peso 7-Year and 10-year Bonds due 2019 and 2022
In April 2012, ALI issued a total of ₱15,000.0 million bonds, broken down into a ₱9,350.0 million bond due 2019 at a fixed rate equivalent to 5.6% p.a. and a ₱5,650.0 million bond due 2022 at a fixed rate equivalent to 6.0% p.a. PhilRatings assigned a PRS Aaa rating on the bonds indicating that it has the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. PRS Aaa is the highest credit rating possible on PhilRatings’ rating scales for long-term issuances. ALI fully paid the ₱9,350.0 million bond in April 2019.

Philippine Peso 5-year and 10-year and 6-month Bonds due 2024
In July 2013, ALI issued a total of ₱15,000.0 million bonds due 2024 at a fixed rate equivalent to 5.0% p.a. Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a "AAA" on the bonds indicating that it has a minimal credit risk owing to the Company’s capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP. In 2019, ALI issued a total of ₱3,000.0 million bonds due 2024 at a fixed rate equivalent to 4.758% p.a. under its new shelf registration. PhilRatings assigned a PRS Aaa rating on the bonds.

Philippine Peso 7-Year and 20-year Bonds due 2020 and 2033
In October 2013, ALI issued a total of P6,000.0 million bonds, broken down into a ₱4,000.0 million bond due 2020 at a fixed rate equivalent to 4.6% p.a. and a ₱2,000.0 million bond due 2033 at a fixed rate equivalent to 6.0% p.a. CRISP assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to ALI’s capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 11-year Bonds due 2025
In April 2014, ALI issued a total of ₱8,000.0 million bonds due 2025 at a fixed rate equivalent to 5.6% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 7.0 Billion Fixed Rate Bonds due 2022
In April 2015, ALI issued a total of ₱7,000.0 million bonds due 2022 at a fixed rate equivalent to 4.5% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 9-year and 6-month Bonds due 2025
In April 2016, ALI issued a total of ₱7,000.0 million bonds due 2025 at a fixed rate equivalent to 4.75% p.a. The Bonds is the second tranche of the Fixed-rate Bonds Series under ALI's ₱50,000.0

million Debt Securities Program registered in the SEC. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 7-year and 10-year Bonds due 2026
In March 2016, ALI issued a total of ₱8,000.0 million bonds due 2026 at a fixed rate equivalent to 4.85% p.a. The Bonds is the first tranche of the Fixed-rate Bonds Series under ALI's ₱50,000 million Debt Securities Program registered in the SEC. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings. In May 2019, ALI issued an ₱8,000.0 million fixed rate bond due 2026 at a rate equivalent to 6.369% p.a. The Bonds represent the first tranche of debt securities issued under ALI's new ₱50,000.0 million Debt Securities Program registered with the SEC, and listed on the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 3-Year Homestarter Bond due 2019 and 7-year Bonds due 2023
In October 2016, ALI issued a total of ₱10,000.0 million bonds, broken down into a ₱3,000.0 million Homestarter bond due 2019 at a fixed rate of 3.0% p.a. and a ₱7,000.0 million fixed rate bond due 2023 at a rate equivalent to 3.8915% p.a. The Bonds represent the first tranche of Homestarter Bonds series and the third tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. In 2017, ALI paid P9.1 million as an early down payment of the outstanding 3-Year Homestarter Bond. In 2018, ALI paid ₱8.4 million as an early down payment of the outstanding 3-Year Homestarter Bond. ALI fully paid the remaining Homestarter Bond on October 21 and December 23, 2019.

Philippine Peso 7-year and 3-month and 10-year Bonds due 2027
In May 2017, ALI issued a ₱7,000.0 million fixed rate bond due 2027 at a rate equivalent to 5.2624% p.a. The Bonds represent the fourth tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. In November 2019, ALI issued a ₱1,000.0 million fixed rate bond due 2027 at a rate equivalent to 4.9899 % p.a. This was the third tranche of bonds issued under the new P50,000.0 million shelf registration of ALI. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2028
In April 2018, ALI issued a ₱10,000.0 million fixed rate bond due 2028 at a rate equivalent to 5.9203% p.a. and subject to repricing on 27 April 2023, the fifth anniversary of the Issue Date, at the higher of 5.9203% or the prevailing 5-year benchmark plus 75 bps. The Bonds represent the fifth tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC,and listed in the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5-year Bonds due 2023
In October 2018, ALI issued a ₱8,000.0 million fixed rate bond due 2023 at a rate equivalent to 7.0239% p.a. The Bonds represent the sixth and final tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed on the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 2-year Bonds due 2021
In November 2019, ALI issued a ₱9,000.0 million fixed rate bond due 2021 at a rate equivalent to 4.2463% p.a. The Bonds form part of the third tranche of debt securities issued under ALI's new ₱50,000.0 million Debt Securities Program registered with the SEC, and listed on the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5.0 Billion Fixed Rate Bonds due 2021
In September 2014, Cebu Holdings, Inc., a subsidiary of ALI, issued a total of ₱5,000.0 million bonds due 2021 at a fixed rate equivalent to 5.32% p.a. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AYCFL

<u>2019 US$400.0 Million Senior Unsecured and Guaranteed Fixed For Life Perpetual Notes (Fixed For Life)</u>
On October 23, 2019, the Parent Company announced that it had successfully set the terms of a US dollar-denominated fixed-for-life (non-deferrable) senior perpetual issuance at an aggregate

principal amount of US$400 million (₱20,118.9 million) with a fixed coupon of 4.850% for life with no step-up and no reset, payable semi-annually. The bonds will be issued by AYCFL and will be unconditionally and irrevocably guaranteed by the Parent Company. The bonds were priced at par with a re-offer yield of 4.850%, reflecting a 27.5 basis points compression from the initial price guidance. The final order book was over four times oversubscribed with the order book allocated predominantly to Asia, with the rest to Europe, reflecting the strong investors' confidence in the Ayala name. By investor type, more than half of the offering was allocated to fund managers, insurance companies and pension funds, around one-quarter to banks and financial institutions and the remainder to private banks. The transaction was settled on October 30, 2019.

<u>2017 US$400.0 Million Senior Unsecured and Guaranteed Fixed For Life Perpetual Notes (“Notes”)</u>
On September 7, 2017, the Parent Company announced that AYCFL had successfully set the terms of a US dollar-denominated fixed-for-life (non-deferrable) senior perpetual issuance at an aggregate principal amount of US$400 million (₱20,171.9 million) with an annual coupon of 5.125% for life with no step-up. The issuance is the first corporate fixed-for-life with no coupon step-up in Southeast Asia and the first fixed-for-life with no step-up (and reset) deal in the Philippines. The issuer, AYCFL, may redeem the Notes in whole but not in part on September 13, 2022 (first redemption date) or any interest payment date falling after the first redemption date at 100% of the principal amount of the Notes plus any accrued but unpaid interest. The proceeds of the issuance will be used to refinance the issuer’s US Dollar maturing obligations and to fund investments of the Guarantor (the Parent Company) or its offshore subsidiaries.

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

The Group accounts for this as liability, and, thus shown forming part of long-term debt as of March 31, 2020 and December 31, 2019. The cost of issuance is at US$2.7 million resulting in net proceeds of US$397.3 million.

ACEI Group

<u>Green Bonds</u>
On January 29, 2019, ACEI, through its wholly-owned subsidiary (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, International Finance Corporation (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.

<u>*FFL Bonds*</u>
On November 27, 2019, the Group also issued US dollar-denominated fixed-for-life (FFL Bonds) through ACEFIL at an aggregate principal amount of US$400.00 million (₱20,300.0 million) with a fixed coupon of 5.65 % for life and with no step-up and no reset.

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

Compliance with debt covenants

The loan agreement on long-term debt of the Parent Company and some subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as of March 31, 2020 and December 31, 2019. The Parent Company aims to maintain for its debt to equity ratio not to exceed 3:1 in compliance with loan covenants of AYCFL.

17. Equity

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

	Preferred Shares - A	Preferred Shares - B	Voting Preferred Shares	Common Shares	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital	Treasury Shares
					(In Thousands)				
At January 1, 2020 (Audited)	**₱1,200,000**	**₱5,800,000**	**₱200,000**	**₱31,341,660**	**₱ 216,453**	**₱ 47,837,246**	**₱ (1,719,134)**	**₱ 84,876,225**	**₱ (5,737,896)**
Exercise/Cancellation/Subscription of ESOP/ESOWN	**-**	**-**	**-**	**72,171**	**(62,945)**	**36,375**	**-**	**45,601**	**-**
Collection of subscription receivables	**-**	**-**	**-**	**-**	**-**	**-**	**34,309**	**34,309**	**-**
Buyback of common shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(867,257)**
At March 31, 2020 (Unaudited)	**₱1,200,000**	**₱5,800,000**	**₱200,000**	**₱31,413,831**	**₱ 153,508**	**₱ 47,873,621**	**₱ (1,684,825)**	**₱ 84,956,135**	**₱ (6,605,153)**
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	₱ (2,300,000)
Redemption of Preferred B Series 2 shares	-	-	-	-	-	-	-	-	(13,500,000)
Re-issuance of redeemed Preferred B Series 2 shares	-	-	-	-	-	-	-	-	13,500,000
Issuance of additional Preferred B Series 2 shares	-	-	-	-	-	1,079,931	-	1,079,931	300,000
Exercise/Cancellation/Subscription of ESOP/ESOWN	-	-	-	943	25,795	601,297	(468,093)	159,942	-
Collection of subscription receivables	-	-	-	-	-	-	274,677	274,677	-
Buyback of common shares	-	-	-	-	-	-	-	-	(3,737,896)
At December 31, 2019 (Audited)	₱1,200,000	₱5,800,000	₱200,000	₱31,341,660	₱ 216,453	₱ 47,837,246	₱ (1,719,134)	₱ 84,876,225	₱ (5,737,896)

Preferred shares
On January 15, 2020, the Parent Company has fully utilized the proceeds from the reissuance of Preferred B Series 2 shares.

Treasury shares
The Parent Company, pursuant to the share buyback program of ₱10.0 billion worth of shares approved by the BOD on December 5, 2019, made the following purchases of its common shares:

Date	Number of Shares	Price Per Share
February 11, 2020	78,310	₱755.3192
February 13, 2020	210,000	752.5476
February 14, 2020	570,060	750.0000
February 17, 2020	157,840	749.0000
March 20, 2020	100,000	415.6000
March 23, 2020	150,000	408.0000

Employee Stock Option Plan (ESOP)
On January 7 and February 7, 2020, a total of 9,716 and 33,751 common shares, respectively were exercised under the Parent Company’s ESOP.

Retained Earnings

The reconciliation of Retained Earnings available for dividend declaration shows the following as of March 31, 2020 and December 31, 2019:

	March 2020 (Unaudited)	December 2019 (Audited)
	In Thousands	
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	₱ **46,534,197**	₱ 34,034,851
Add: Net income actually earned/realized during the period - Parent co.	**1,398,159**	22,382,508
Add (Less):		
Dividend declarations during the period	**-**	(6,464,228)
PFRS adjustments in retained earnings	**-**	18,962
Treasury shares	**(867,257)**	(3,437,896)
	(867,257)	(9,883,162)
Retained earnings available for dividends	₱ **47,065,099**	₱ 46,534,197

There was no dividends declared by the Parent Company for the period ended March 31, 2020 and 2019.

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 2020 (Unaudited)	March 2019 (Unaudited)
	(In Thousands, except EPS figures)	
Net income attributable to the owners of the Parent Company		
Net income	₱ **6,661,367**	8,031,010
Dividends on preferred stock	**(312,053)**	(319,406)
Adjusted net income	**6,349,315**	7,711,604
Segment under PFRS 5	**(959,495)**	(591,619)
Adjusted net income from continuing operations	**5,389,820**	7,119,985
Profit impact of assumed conversions of potential ordinary shares of investees	**(14,155)**	(63,556)
	₱ **5,375,665**	7,056,430
Number of common shares		
Weighted average	**626,182**	630,630
Dilutive shares arising from stock options	**197**	2,483
	626,379	633,112
EPS		
Basic	₱ **10.14**	₱ 12.23
Diluted	₱ **10.11**	₱ 12.08
EPS before operations of the segment under PFRS 5		
Basic	₱ **8.61**	₱ 11.29
Diluted	₱ **8.58**	₱ 11.15

19. Revenue

This account consists of:

		March 2020 (Unaudited)		March 2019 (Unaudited)
		(In Thousands)		
Revenue from contracts with customers				
Real estate	₱	**17,906,648**	₱	28,839,670
Manufacturing services		**12,998,388**		16,841,621
Others		**13,907,757**		7,824,660
		44,812,793		53,505,951
Rental income		**8,540,047**		8,099,115
Sale of goods and rendering services		**53,352,840**		61,605,066
Share in net profits of associates and joint ventures		**5,736,833**		5,717,114
Interest income		**2,450,963**		2,172,553
Dividend income		**179,994**		13,390
Total	₱	**61,720,630**	₱	69,508,123

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

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

		March 2020 (Unaudited)		March 2019 (Unaudited)
		(In Thousands)		
Revenue from contracts with customers				
Residential development	₱	**15,690,441**	₱	26,125,590
Hotels and resorts		**1,589,795**		1,914,295
Construction		**626,412**		799,785
Total Revenue	₱	**17,906,648**	₱	28,839,670

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

		March 2020 (Unaudited)		March 2019 (Unaudited)
		(In Thousands)		
Type of Product				
Middle income housing	₱	**6,363,029**	₱	9,170,893
Coremid		**3,336,313**		5,966,760
Condominium		**2,718,237**		7,043,047
Lot only		**3,272,862**		3,944,890
	₱	**15,690,441**	₱	26,125,590

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

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

		March 2020 (Unaudited)		March 2019 (Unaudited)
		(In Thousands)		
Automotive	₱	**6,756,326**	₱	8,284,717
Industrial		**3,524,196**		4,090,433
Consumer		**522,141**		1,321,528
Telecommunication		**812,631**		1,345,718
Aerospace/defense		**605,015**		698,482
Medical		**271,334**		134,608
Multiple market/others		**506,745**		966,135
	₱	**12,998,388**	₱	16,841,621

Translated using the weighted average exchange rate for the period (US$1: ₱50.81 and ₱52.13 in March 31, 2020 and 2019, respectively).

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

MWC
On February 3, 2020, MWC and Prime Metroline Holdings, Inc., on behalf of a company to be incorporated (Trident Water), signed a subscription agreement for the acquisition of 820.0 million common shares of MWC at ₱13.00 per share. On February 6, 2020, the Parent Company's Executive Committee approved the grant of proxy rights by Philwater to Trident Water over its 4,000,000,000 preferred shares to enable the latter to achieve 51.00% voting interest in MWC, subject to the fulfillment of the conditions in the subscription agreement for the 24.96% share in MWC. Upon the grant of proxy rights to Trident Water, the Parent Company's effective voting interest in MWC will stand at 31.60%.

On February 7, 2020, MWC received a letter from Prime Metroline Holdings, Inc. that it has announced, through publication in a newspaper of general circulation, its intention to make a mandatory offer for the shares of the MWC at an offer price of ₱13.00 per share.

The issuance of the primary shares to Trident Water by MWC and the assignment of portion of the preferred shares voting rights is expected to be completed within one year from the reporting date and will result in the Parent Company's loss of control over MWC. Accordingly, as at December 31, 2019, MWC qualified as a group held for deemed disposal and since the operations of MWC represents the Group's water infrastructure business segment, qualifies as a discontinued operation (presented as operation of segment under PFRS 5 in the statement of income).

The results of operations of MWC for the period ended March 31, 2020 and 2019 (both unaudited) are presented below:

		March 2020 (Unaudited)		March 2019 (Unaudited)
		(In Thousands)		
Revenue	₱	**5,162,771**	₱	4,460,749
Interest and other income		**2,150,051**		2,289,948
Total revenues		**7,312,822**		6,750,698
Cost of services		**1,868,145**		1,941,452
Operating expenses and other charges		**2,439,507**		2,746,971
Interest expense		**576,530**		533,076
Total expenses		**4,884,182**		5,221,498
Income tax		**579,862**		566,869
Net income after tax	₱	**1,848,778***	₱	962,330

** NIAT higher vs. the reported NIAT of MWC due to cut-off adjustments to be taken up at AC consolidated FS in April 2020. Along with other cut-off adjustments, the net effect to consolidated NIAT is less than 1%.*

The improvement in net income was a result of higher revenues and last year's impact of bill waiver and penalties.

The major classes of assets and liabilities of the MWC classified under PFRS 5 as at March 31, 2020 (unaudited) and December 31, 2019 (audited) are as follows:

		March 2020 (Unaudited)		December 2019 (Audited)
		(In Thousands)		
Cash and Short-term investments	₱	**12,898,866**	₱	9,067,512
Current assets		**5,265,298**		4,697,515
Service Concession assets (net)		**77,339,225**		76,307,998
Noncurrent assets		**19,870,958**		19,689,110
Total assets	₱	**115,374,348**	₱	109,762,135
Short-term and Long-term debt	₱	**60,091,977**	₱	56,350,986
Current liabilities		**9,847,906**		10,225,462
Noncurrent liabilities		**12,214,925**		12,025,939
Total liabilities	₱	**82,154,807**	₱	78,602,387

The increase in assets was a result of higher cash and capex funded from new borrowings.

The following are the disaggregation of MWC's revenue from contracts with customers which forms part of the Group's operations of the segment under PFRS 5 for the periods ended March 31, 2020 and 2019 (both unaudited):

March 2020 (Unaudited)		**Manila Concession and Head Office**		**Domestic Subsidiaries**		**Total**
				(In Thousands)		
Revenue from contracts with customers:						
Water	₱	**3,421,579**	₱	**839,653**	₱	**4,261,232**
Sewer		**62,185**		**83,793**		**145,978**
Environmental charges		**716,526**		**39,035**		**755,561**
Other operating income		**50,226**		**255,172**		**305,397**
		4,250,516		**1,217,653**		**5,468,168**
Timing of revenue recognition:						
Revenue recognized over time		**4,237,809**		**1,161,276**		**5,399,085**
Revenue recognized at a point in time		**12,707**		**56,376**		**69,084**
	₱	**4,250,516**	₱	**1,217,653**	₱	**5,468,168**

March 2019 (Unaudited)		Manila Concession and Head Office		Domestic Subsidiaries		Total
				(In Thousands)		
Revenue from contracts with customers:						
Water	₱	2,935,766	₱	647,953	₱	3,583,720
Sewer		64,089		72,806		136,895
Environmental charges		702,859		37,275		740,135
Other operating income		79,526		403,651		483,177
		3,782,241		1,161,686		4,943,927
Timing of revenue recognition:						
Revenue recognized over time		3,743,407		1,088,174		4,831,580
Revenue recognized at a point in time		38,835		73,512		112,347
	₱	3,782,241	₱	1,161,686	₱	4,943,927

The net cash flows of MWC are as follows:

		March 2020 (Unaudited)		March 2019 (Unaudited)
		(In Thousands)		
Operating activities	₱	**1,191,162**	₱	2,068,866
Investing activities		**(6,377,715)**		(468,781)
Financing activities		**3,059,316**		(3,575,590)
Net increase (decrease) in cash and cash equivalents	₱	**(2,127,237)**	₱	(1,975,505)

GNPK
On July 1, 2019, the ACEI and PP executed a term sheet for the acquisition by PP of the ACEI Group's indirect partnership interest in GNPK. The completion of the transaction will result to PP gaining control over GNPK's coal plant project. The closing of the sale transaction is subject to conditions precedent, including the approval by the PCC that was obtained on September 30, 2019.

The major classes of assets and liabilities of the GNPK classified under PFRS 5 as at March 31, 2020 (unaudited) and December 31, 2019 (audited) are as follows:

		March 2020 (Unaudited)		December 2019 (Audited)
		(In Thousands)		
Cash and cash equivalents	₱	**3,173,892**	₱	4,990,109
Current assets		**6,163,565**		6,218,349
Property and equipment		**49,252,922**		48,102,754
Noncurrent assets		**539,510**		1,393,346
Total assets	₱	**59,129,889**	₱	60,704,558
Current liabilities	₱	**846,683**	₱	2,700,672
Loans and long-term debt		**37,542,220**		38,942,070
Noncurrent liabilities		**1,246,627**		1,242,498
Total liabilities	₱	**39,635,531**	₱	42,885,240

Decrease in total assets was due to lower cash as a result of payment of liabilities, partly offset by additions to property and equipment related to power plant. Decrease in total liabilities was mainly due to payment of year-end 2019 trade payables.

21. Segment Information

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

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

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

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

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

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

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

  In 2019, investment in MWC was reclassified to "Assets and liabilities and operations of segment under PFRS 5" (see Note 20).

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

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

For the years ended March 31, 2020, March 31, 2019 and December 31, 2019, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

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

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

The following tables regarding operating segments present revenue and income information for the periods ended March 31, 2020 and 2019 (both unaudited), and assets and liabilities as of March 31, 2020 (unaudited) and December 31, 2019 (audited).

March 2020 (Unaudited)
(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Revenue									
Sales to external customers	₱ 66	₱ 26,350	₱ -	₱ -	₱ 13,057	₱ 6,962	₱ 6,918	₱ -	₱ 53,353
Intersegment	31	(151)	-	-	-	138	104	(122)	-
Share of profit of associates and joint ventures	-	270	3,001	2,027	-	434	5	-	5,737
Interest income	100	1,824	-	-	20	476	46	(15)	2,451
Dividend income	-	-	-	-	-	-	180	-	180
	197	28,293	3,001	2,027	13,077	8,010	7,253	(137)	61,721
Costs and expenses									
Costs of sales and services	-	15,879	-	-	12,061	4,515	5,975	(45)	38,385
General and administrative	454	2,222	-	-	1,126	353	3,274	(167)	7,262
	454	18,101	-	-	13,187	4,868	9,249	(212)	45,647
Other income (charges)									
Other income	(93)	115	-	-	-	1,078	246	-	1,346
Interest and other financing charges	(1,467)	(3,419)	-	-	(148)	(1,017)	(172)	28	(6,195)
	(1,560)	(3,304)	-	-	(148)	61	74	28	(4,849)
Net income (loss) before income tax	(1,817)	6,888	3,001	2,027	(258)	3,203	(1,922)	103	11,225
Provision for (benefit from) income tax	3	1,843	-	-	24	304	23	56	2,253
	(1,820)	5,045	3,001	2,027	(282)	2,899	(1,945)	47	8,972
Operations of the segment under PFRS 5							1,849		1,849
Net income (loss)	₱ (1,820)	₱ 5,045	₱ 3,001	₱ 2,027	₱ (282)	₱ 2,899	₱ (96)	₱ 47	₱ 10,821
Other information									
Segment assets	₱ 68,739	₱ 681,187	₱ -	₱ -	₱ 52,069	₱ 174,049	₱ 45,254	₱ (42,085)	₱ 979,213
Investments in associates and joint ventures	188,762	25,556	-	-	-	24,835	17,605	-	256,758
Deferred tax assets	83	11,213	-	-	433	843	1,098	369	14,039
Assets under PFRS 5	-	-	-	-	-	-	115,374	-	115,374
Total Assets	₱ 257,584	₱ 717,956	₱ -	₱ -	₱ 52,502	₱ 199,727	₱ 179,331	₱ (41,716)	₱ 1,365,384
Segment liabilities	₱ 156,113	₱ 467,084	₱ -	₱ -	₱ 28,633	₱ 129,254	₱ 20,896	₱ (41,766)	₱ 760,214
Deferred tax liabilities	82	6,660	-	-	426	743	898	-	8,809
Liabilities under PFRS 5	-	-	-	-	-	-	82,155	-	82,155
Total Liabilities	₱ 156,195	₱ 473,744	₱ -	₱ -	₱ 29,059	₱ 129,997	₱ 103,949	₱ (41,766)	₱ 851,178
Depreciation & amortization	₱ 65	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -	₱ 65
Non-cash expenses other than depreciation & amortization	₱ (380)	₱ 2,371	₱ -	₱ -	₱ 737	₱ 512	₱ 322	₱ (2)	₱ 3,560
Segment additions to property, plant and equipment and investment properties	₱ 88	₱ 6,526	₱ -	₱ -	₱ 227	₱ 9,007	₱ 766	₱ (8,661)	₱ 7,953
Cash flows provided by (used in):									
Operating activities	₱ 103	₱ (21,403)	₱ -	₱ -	₱ 1,056	₱ 6,737	₱ 946	₱ (6,295)	₱ (18,856)
Investing activities	₱ 1,900	₱ (274)	₱ -	₱ -	₱ (130)	₱ (9,443)	₱ (9,924)	₱ 10,519	₱ (7,352)
Financing activities	₱ 1,014	₱ 23,943	₱ -	₱ -	₱ (921)	₱ 5,106	₱ 7,265	₱ (4,224)	₱ 32,183

March 2019 (Unaudited)
(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Revenue									
Sales to external customers	₱ 66	₱ 37,429	₱ -	₱ -	₱ 16,577	₱ 1,002	₱ 6,531	₱ -	₱ 61,605
Intersegment	39	8	-	-	30	39	106	(358)	(136)
Share of profit of associates and joint ventures	3	259	3,159	2,077	-	329	(110)	-	5,717
Interest income	100	1,890	-	-	5	149	26	2	2,172
Dividend income	-	-	-	-	-	13	-	-	13
	208	39,586	3,159	2,077	16,612	1,532	6,553	(356)	69,371
Costs and expenses									
Costs of sales and services	-	23,489	-	-	15,110	848	6,332	(1,102)	44,677
General and administrative	538	1,984	-	-	1,311	550	930	652	5,965
	538	25,473	-	-	16,421	1,398	7,262	(450)	50,642
Other income (charges)									
Other income	9	96	-	-	209	180	129	1,012	1,635
Interest and other financing charges	(1,467)	(3,063)	-	-	(170)	(313)	-	76	(4,937)
	(1,458)	(2,967)	-	-	39	(133)	129	1,088	(3,302)
Net income (loss) before income tax	(1,788)	11,146	3,159	2,077	230	1	(580)	1,182	15,427
Provision for (benefit from) income tax	11	2,916	-	-	81	51	27	(47)	3,039
	(1,799)	8,230	3,159	2,077	149	(50)	(607)	1,229	12,388
Operations of the segment under PFRS 5							962		962
Net income (loss)	₱ (1,799)	₱ 8,230	₱ 3,159	₱ 2,077	₱ 149	₱ (50)	₱ 355	₱ 1,229	₱ 13,350
Depreciation & amortization	₱ 67	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -	₱ 67
Non-cash expenses other than depreciation & amortization	₱ -	₱ 2,033	₱ -	₱ -	₱ 596	₱ 104	₱ 335	₱ (4)	₱ 3,064
Segment additions to property, plant and equipment and investment properties	₱ 18	₱ 17,214	₱ -	₱ -	₱ 527	₱ 299	₱ 412	₱ 1,933	₱ 20,403
Cash flows provided by (used in):									
Operating activities	₱ 1,885	₱ 9,262	₱ -	₱ -	₱ (563)	₱ 1,870	₱ 3,143	₱ (2,429)	₱ 13,168
Investing activities	₱ (776)	₱ (18,692)	₱ -	₱ -	₱ (999)	₱ (5,712)	₱ (6,529)	₱ (504)	₱ (33,212)
Financing activities	₱ (1,269)	₱ 5,312	₱ -	₱ -	₱ 3,163	₱ 18,480	₱ 4,265	₱ 2,933	₱ 32,884

December 2019 (Audited)
(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Assets and Liabilities									
Segment Assets	₱ 69,273	₱ 677,107	₱ -	₱ -	₱ 55,330	₱ 105,166	₱ 43,140	₱ (36,175)	₱ 913,841
Investments in associates and joint ventures	186,117	25,294	-	-	-	21,089	14,231	-	246,731
Deferred tax assets	83	11,528	-	-	267	901	1,056	412	14,247
Assets under PFRS 5	-	-	-	-	-	-	60,705	109,762	170,467
Total Assets	₱ 255,473	₱ 713,929	₱ -	₱ -	₱ 55,597	₱ 127,156	₱ 119,132	₱ 73,999	₱ 1,345,286
Segment liabilities	₱ 149,684	₱ 465,090	₱ -	₱ -	₱ 30,922	₱ 77,621	₱ 19,961	₱ (36,829)	₱ 706,449
Deferred tax liabilities	82	6,091	-	-	179	820	864	-	8,036
Liabilities under PFRS 5	-	-	-	-	-	-	42,885	78,602	121,487
Total Liabilities	₱ 149,766	₱ 471,181	₱ -	₱ -	₱ 31,101	₱ 78,441	₱ 63,710	₱ 41,773	₱ 835,972
Segment additions to property, plant and equipment and investment properties	₱ 116	₱ 35,852	₱ -	₱ -	₱ 1,936	₱ 49,811	₱ 1,811	₱ (39,254)	₱ 50,272
Depreciation & amortization	₱ 270	₱ 9,281	₱ -	₱ -	₱ 2,567	₱ 1,503	₱ 1,258	₱ 3,762	₱ 18,641
Non-cash expenses other than depreciation & amortization	₱ (100)	₱ 151	₱ -	₱ -	₱ 249	₱ 450	₱ 832	₱ 17	₱ 1,599
Cash flows provided by (used in):									
Operating activities	₱ 7,444	₱ 42,452	₱ -	₱ -	₱ 2,977	₱ 2,004	₱ 541	₱ (29,300)	₱ 26,118
Investing activities	₱ (6,887)	₱ (49,061)	₱ -	₱ -	₱ (3,014)	₱ (4,271)	₱ (17,219)	₱ 30,405	₱ (50,047)
Financing activities	₱ 8,065	₱ 3,025	₱ -	₱ -	₱ 2,060	₱ 35,814	₱ 18,742	₱ (2,037)	₱ 65,669

22. Fair Value Measurement and Derivative Instruments

Fair Value of Financial and Nonfinancial Instruments

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the following financial instruments as of March 31, 2020 (unaudited) and December 31, 2019 (audited):

	March 2020 (Unaudited)		December 2019 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)		(In Thousands)	
FINANCIAL ASSETS AT FVTPL				
Held for trading	**₱ 13,969,728**	**₱ 13,969,728**	₱ 9,726,080	₱ 9,726,080
Investment in bonds	**2,159,775**	**2,159,775**	2,305,402	2,305,402
Derivative assets				
Freestanding	**380,123**	**380,123**	338,612	338,612
Total financial assets at FVTPL	**16,509,626**	**16,509,626**	12,370,094	12,370,094
AT AMORTIZED COST				
Accounts and notes receivables				
Noncurrent trade receivables				
Real estate	**44,411,833**	**44,641,604**	42,994,112	42,994,112
Nontrade receivables				
Receivable from officers and employees	**1,660,546**	**1,596,856**	1,505,311	1,443,659
Total at amortized cost	**46,072,379**	**46,238,460**	44,499,423	44,437,771
FINANCIAL ASSETS AT FVOCI				
Quoted equity investments	**2,075,440**	**2,075,440**	1,633,763	1,633,763
Unquoted equity investments	**6,366,313**	**6,366,313**	4,269,733	4,269,733
Total financial assets at FVOCI	**8,441,753**	**8,441,753**	5,903,496	5,903,496
OTHER FINANCIAL ASSETS				
Deposits	**3,245,426**	**3,245,426**	3,570,171	3,570,171
Total other financial assets	**3,245,426**	**3,245,426**	3,570,171	3,570,171
Total financial assets	**₱ 74,269,184**	**₱ 74,435,265**	₱ 66,343,184	₱ 66,281,532
FINANCIAL LIABILITIES AT FVTPL				
Financial liabilities on put option	**₱ 1,111,007**	**₱ 1,111,007**	₱ 1,584,703	₱ 1,584,703
Derivative liabilities				
Embedded	**38,277**	**38,277**	238,411	238,411
Total financial liabilities at FVPL	**1,149,284**	**1,149,284**	1,823,114	1,823,114
OTHER FINANCIAL LIABILITIES				
Long-term debt	**380,894,789**	**372,701,877**	375,549,514	370,299,700
Service concession obligation	**66,020**	**66,020**	66,020	66,020
Deposits and other noncurrent liabilities	**50,282,739**	**50,282,739**	54,552,768	48,496,423
Total other financial liabilities	**431,243,548**	**423,050,636**	430,168,302	418,862,143
Total financial liabilities	**₱ 432,392,832**	**₱ 424,199,920**	₱ 431,991,416	₱ 420,685,257

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. Fair value of the bonds is based on binomial lattice approach.

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 quoted equity securities – fair values are based on quoted prices published in markets.

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

Financial liabilities on put options – These pertain to the liabilities of IMI Group arising from the written put options over the non-controlling interest of VIA and STI. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany and UK. The risk-free rate used is 0.17% for VIA and 0.74% for STI for March 2020 (unaudited) and December 2019 (audited). Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put option will occur.

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

For STI, management used the market approach by approximating the EBITDA multiple taken from comparable companies of STI that are engaged in providing electronics services solutions to derive its current equity value. Management computed EBITDA as the difference of forecasted gross profit and selling and administrative expenses before depreciation and amortization. Another significant assumption is the probability of trigger event occurring within the put option period.

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

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

The following table shows the fair value hierarchy of the Group's assets and liabilities as at March 31, 2020 (unaudited) and December 31, 2019 (audited):

March 31, 2020 (Unaudited)

	Quoted Prices in Active Markets (Level 1)		Significant Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total	
			(In Thousands)					
Recurring financial assets measured at fair value								
Financial assets at FVPL	₱	-	₱	85,724	₱	16,043,779	₱	16,129,503
Derivative assets								
Freestanding		-		-		380,123		380,123
Financial assets at FVOCI								
Quoted equity investments		1,552,163		523,277		-		2,075,440
Unquoted equity investments		-		-		6,366,313		6,366,313
	₱	1,552,163	₱	609,001	₱	22,790,215	₱	24,951,379
Recurring financial assets for which fair values are disclosed:								
Noncurrent trade and nontrade receivables	₱	-	₱	-	₱	46,238,460	₱	46,238,460
Deposits		-		-		3,245,426		3,245,426
	₱	-	₱	-	₱	49,483,886	₱	49,483,886
Recurring financial liabilities measured at fair value								
Financial liabilities on put option	₱	-	₱	-	₱	1,111,007	₱	1,111,007
Derivative liabilities								
Freestanding		-		38,277		-		38,277
	₱	-	₱	38,277	₱	1,111,007	₱	1,149,284
Recurring financial liabilities for which fair values are disclosed:								
Long-term debt	₱	-	₱	-	₱	372,701,877	₱	372,701,877
Service concession obligation		-		-		66,020		66,020
Deposits and Other noncurrent liabilities		-		-		50,282,739		50,282,739
	₱	-	₱	-	₱	423,050,636	₱	423,050,636
Nonfinancial assets for which fair values are disclosed:								
Investments in associates and joint ventures*	₱	217,325,504	₱	-	₱	-	₱	217,325,504
Investment properties		-		4,992,352		506,255,303		511,247,655
	₱	217,325,504	₱	4,992,352	₱	506,255,303	₱	728,573,159

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

December 31, 2019 (Audited)

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
		(In Thousands)		
Recurring financial assets measured at fair value				
Financial assets at FVTPL	₱ -	₱ 85,724	₱ 11,945,758	₱ 12,031,482
Derivative assets				
Freestanding	-	-	338,612	338,612
Total Financial assets at FVTPL	-	85,724	12,284,370	12,370,094
Financial assets at FVOCI				
Quoted equity investments	1,114,880	518,883	-	1,633,763
Unquoted equity investments	-	-	4,269,733	4,269,733
	₱ 1,114,880	₱ 604,607	₱ 16,554,103	₱ 18,273,590
Recurring financial assets for which fair values are disclosed:				
Noncurrent trade and nontrade receivables	₱ -	₱ -	₱ 44,437,771	₱ 44,437,771
Deposits	-	-	3,570,171	3,570,171
	₱ -	₱ -	₱ 48,007,942	₱ 48,007,942
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	₱ -	₱ -	₱ 1,584,703	₱ 1,584,703
Derivative liabilities				
Freestanding	-	238,411	-	238,411
	₱ -	₱ 238,411	₱ 1,584,703	₱ 1,823,114
Recurring financial liabilities for which fair values are disclosed:				
Long-term debt	₱ -	₱ -	₱ 370,299,700	₱ 370,299,700
Service concession obligation	-	-	66,020	66,020
Deposits and Other noncurrent liabilities	-	-	48,496,423	48,496,423
	₱ -	₱ -	₱ 418,862,143	₱ 418,862,143
Nonfinancial assets for which fair values are disclosed:				
Investment properties	₱ -	₱ -	₱ 495,845,136	₱ 495,845,136
Investments in associates and joint ventures*	278,883,519	-	-	278,883,519
	₱ 278,883,519	₱ -	₱ 495,845,136	₱ 774,728,655

**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:

March 31, 2020 (Unaudited)

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	0%-2% (1%)	1% increase in growth rate would result in an increase in fair value by $1.57 million. Decrease in growth rate by 1% would result in a fair value decrease of $1.24 million.
		Discount rate	8%-10% (9%)	1% increase in discount rate would result in a decrease in fair value by $1.81 million. Decrease in discount rate by 1% would result in a fair value increase of $2.29 million.
		Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by $0.73 million. Decrease in the probability to 1% would result in a decrease in fair value by $1.09 million.

December 31, 2019 (Audited)

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial assets at FVTPL	Market comparable	Weighted average cost of capital (WACC)	5% to 10%	5% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US$5,200,723/ (US$5,200,723)
				10% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US$10,401,445/ (US$10,401,445)
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	0% - 2% (1%)	1% increase in growth rate would result in an increase in fair value by US$1.59 million. Decrease in growth rate by 1% would result in a fair value decrease of US$1.25 million.
		Discount rate	8% - 10% (9%)	1% increase in discount rate would result in a decrease in fair value by US$1.83 million. Decrease in discount rate by 1% would result in a fair value increase of US$2.31 million.
		Probability of trigger events occurring	1% - 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by US$0.77 million. Decrease in the probability to 1% would result in a decrease in fair value by US$1.17 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 FVTPL	**March 2020 (Unaudited)**	December 2019 (Audited)
	(In Thousands)	
Balance at beginning of year	₱ **11,945,758**	₱ 9,236,804
Additions	**4,087,446**	3,046,315
Recognized in consolidated statement of income	**15,754**	528,011
Exchange difference	**(5,179)**	(865,372)
Balance at end of period	₱ **16,043,779**	₱ 11,945,758

Financial Liabilities at FVTPL		March 2020 (Unaudited)		December 2019 (Audited)
		(In Thousands)		
Balance at beginning of year	₱	**1,584,703**	₱	1,567,146
Recognized in statement of income		**(2,642)**		114,373
Exchange difference		**(471,054)**		(96,816)
Balance at end of period	₱	**1,111,007**	₱	1,584,703

Derivatives

		March 2020 (Unaudited)		December 2019 (Audited)
		(In Thousands)		
Derivative Assets				
Call option of AC Industrial and AC Health	₱	**371,266**	₱	332,485
Currency forward of AIVPL		**6,805**		5,857
Forward contract of IMI		**2,052**		270
	₱	**380,123**	₱	338,612
Derivative Liabilities				
Forward contract of AC Energy	₱	**38,277**	₱	238,411
	₱	**38,277**	₱	238,411

Fair Value Changes on Derivatives

The net movements in fair values of the Group's derivative instruments as of March 31, 2020 (unaudited) and December 31, 2019 (audited) follow:

Derivative Assets

		March 2020 (Unaudited)		December 2019 (Audited)
		(In Thousands)		
Balance at beginning of year	₱	**338,612**	₱	65,324
Additions during the period		**41,511**		365,273
Net changes in fair value of derivatives		**-**		287,780
		380,123		718,377
Reclassification to PFRS 5		**-**		(379,765)
Balance at end of period	₱	**380,123**	₱	338,612

Derivative Liabilities

		March 2020 (Unaudited)		December 2019 (Audited)
		(In Thousands)		
Balance at beginning of year	₱	**238,411**	₱	15,700
Net changes in fair value of derivatives		**(200,134)**		222,711
		38,277		238,411
Fair value of settled instruments		**-**		
Balance at end of period	₱	**38,277**	₱	238,411

No other financial assets or liabilities are carried at fair value as of March 31, 2020 (unaudited) and December 31, 2019 (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 the business activities and are typical of any large holding company. The financial risk management of the Parent Company seeks to effectively contribute to better decision making, enhance performance, and satisfy compliance demands.

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

The Parent Company maintains a strong focus on its funding strategy to help provide access to sufficient funding to meet its business needs and financial obligations throughout business cycles. The Parent Company's plans are established within the context of our annual strategic and financial planning processes. The Parent Company also 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 in setting up limits for counterparties that are reviewed quarterly and monitoring of any changes in credit standing of counterparties.

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

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

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise financial assets at FVTPL and FVOCI, 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 PHP against other currencies. The Group's consolidated statements of income can be affected significantly by movements in the USD and other currencies versus the PHP. The Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The second and third columns of the table below summarize the Group's exposure to foreign exchange risk as of March 31, 2020. 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	371,211	₱	19,173,540	₱1.00	₱ 371,211
					(1.00)	(371,211)
Japanese Yen (JPY)	JPY	(18,758,808)	₱	(8,877,820)	1.00	(18,758,808)
					(1.00)	18,758,808
Thai Baht (THB)	THB	(5,241,211)	₱	(8,123,324)	1.00	(5,241,211)
					(1.00)	5,241,211
Euro (EUR)	EUR	60,448	₱	3,369,778	1.00	60,448
					(1.00)	(60,448)
Chinese RMB (RMB)	RMB	(22,430)	₱	(160,440)	1.00	(22,430)
					(1.00)	22,430
Vietnam Dong (VND)	VND	13,404,595	₱	29,255	1.00	13,404,595
					(1.00)	(13,404,595)

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents, short–term investments, FVTPL financial assets, quoted financial assets at FVOCI and investment in bonds classified as loans and receivable, advances to other companies and related party receivables

High grade pertains to cash and cash equivalents and short-term investments, quoted financial assets, investment in bonds classified as loans and receivable, related party transactions and receivables with high probability of collection.

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

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

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

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

Water infrastructure – high grade pertains to receivables that are collectible within 7 days from bill delivery; medium grade pertains to receivables that are collectible from 11 to 30 days from bill delivery.

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

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

23. Related Party Transactions

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

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

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

The Group, in its regular conduct of business, has entered into transactions with associates, joint ventures and other related parties principally consisting of deposits/placements, advances, loans and reimbursement of expenses, purchase and sale of real estate properties, various guarantees, construction contracts, and development, management, underwriting, marketing and administrative service agreements. Sales and purchases of goods and services as well as other income and expense to and from related parties are made at normal commercial prices and terms.

Highlights of related party transactions follow:

Transactions with BPI
The Group maintains current and savings account, money market placements and other short-term investments with BPI amounting to ₱24,541.5 million and ₱25,171.9 million, as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively (see Notes 4 and 5). The Other Current Assets account as of March 31, 2020 (unaudited) and December 31, 2019 (audited), includes ₱78.0 million and ₱80.9 million Financial Assets at FVPL of ALI with BPI, respectively (see Note 8). The Other Noncurrent Assets account as of March 31, 2020 (unaudited) and December 31, 2019 (audited) includes ₱4,208.8 million and ₱4,261.8 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 ₱32,535.8 million and ₱46,018.8 million as of March 31, 2020 (unaudited) and December 31, 2019 (audited), respectively. These short-term and long-term debts are interest bearing with varying rates, have various maturities starting 2019 and varying schedules of payments for interest (see Note 16).

Receivable from Related Parties
The Group has ₱10,219.7 million and ₱14,491.2 million receivable from related parties as of March 31, 2020 (unaudited) and December 31, 2019 (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 AC Energy's receivables from joint venture partners and certain trade receivables arising from automotive and other sales. This account also includes other receivables relating to reimbursement of operating expenses like management fees, among others. The trade and other receivables are unsecured, will be settled in cash and are due and demandable (see Note 6).

Receivables from Officers and Employees
The Group has ₱1,660.5 million and ₱1,505.3 million receivables from officers and employees as of March 31, 2020 (unaudited) and December 31, 2019 (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 (6.0% per annum) and have various maturity dates (see Note 6).

Payables to Related Parties
The Group has payables to various related parties amounting to ₱936.4 million and ₱1,084.1 million as of March 31, 2020 (unaudited) and December 31, 2019 (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 ₱661.7 million and ₱583.6 million from related parties and incurred total expenses of ₱357.5 million and ₱179.6 million for the periods ended March 31, 2020 and 2019, respectively (both unaudited). These 2020 amounts represent 1.1% and 0.8% 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 (see Note 16), water utilities, communications and professional fees. In April 2020, AC Parent Company donated to Ayala Foundation, Inc. (AFI) amounting to ₱24.7 million intended for AFI's Project Pananagutan to support various initiatives to assist sectors affected by Covid19 health crisis.

24. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities follow:

		January 1, 2020 (Audited)		Cash Flows		Non-cash Changes			Foreign Exchange Movement		March 31, 2020 (Unaudited)
						(in Thousands)					
Short-term and Long-term debt	₱	461,689,143	₱	30,622,940	₱	102,686	*	₱	(447,343)	₱	**491,967,427**
Dividend payable		4,496,286		(5,148,564)		2,366,199	**				**1,713,921**
Other noncurrent liabilities		48,447,370		8,621,522		2,544,843					**59,613,735**
Lease liabilities		22,831,166		(681,958)		809,998	***				**22,959,206**
Service concession obligation		66,019		(294,787)		294,787	****				**66,019**
Total liabilities from financing activities	**₱**	**537,529,984**	**₱**	**33,119,153**	**₱**	**6,118,514**		**₱**	**(447,343)**	**₱**	**576,320,308**

**includes accounts of segments reclassified to PFRS 5 (GNPK and MWC).*

***Pertains to dividends declared by the Parent Company and by its subsidiaries to the non-controlling shareholders during the year.*

****includes adoption of PFRS 16 and additions during the year*

*****Pertains to additions to service concession obligation and reclassification to PFRS 5*

25. Events after the Reporting Period

Parent Company

a) In April 2020, Ayala Parent Company announced that it is consolidating its energy, water and transport and logistics businesses under a holding company to create a sizeable and agile platform that would boost its foothold within the country's physical infrastructure space. The integrated infrastructure platform will house the Parent Company's stake in two listed companies, AC Energy Philippines, Inc. (ACEPH) and Manila Water Company, Inc. (MWC) and its unlisted unit AC Infrastructure Holdings Corporation. Ayala will use its wholly owned subsidiary AC Energy, Inc. (ACEI) as the vehicle for the consolidated entity, which will be renamed to AC Energy and Infrastructure Corporation. The consolidation of Ayala's various infrastructure interests creates a formidable platform with a strong balance sheet and allows Ayala to participate in the many opportunities in infrastructure development in a more significant way. This consolidation of business units also makes way for an integrated strategy and center of excellence across Ayala's portfolio. Ayala expects to complete the restructuring by the third quarter of the year.

b) On April 17, 2020, the Parent Company made capital infusion to AC Health amounting to P165 million as part of Ayala Group's commitment to combat Covid19. The funding was used in a joint project with the Mercado Group to convert the Qualimed Hospital in Sta. Rosa, Laguna to a dedicated COVID-19 hospital and facility.

c) On April 24, 2020, the BOD approved the 2020 stock option program pursuant to its Employee Stock Ownership Plan (the "Plan"). The program authorizes the grant to 32 executives, in accordance with the terms of the Plan, stock options covering up to a total of 1,461,423 common shares at a subscription price of ₱470.72 per share, which is the rounded off volume-weighted average prices of our common shares at the PSE over the last 5-day trading days from March 13 to 23, 2020.

   On April 30, 2020, 469,276 common shares were exercised under the Parent Company's ESOP. In view of the foregoing issuance of shares, the number of its issued and outstanding common shares are 631,665,266 and 625,920,412, respectively.

MWCI

a) Effective April 1, 2020, a Foreign Currency Differential Adjustment (FCDA) of ₱0.48 per cubic meter was implemented on the water rates of East Zone customers. This adjustment was based on the exchange rate of USD1.00 to ₱50.767 and JPY1.00 to ₱0.465. The FCDA of the water bill will be adjusted to 1.69% of the 2020 average basic charge of ₱28.52 per cubic meter.

Globe

a) On May 5, 2020, the BOD approved the declaration of the second quarter cash dividend of ₱24.83 per common share, payable to common stockholders of record as of May 18, 2020. Total dividends amounting to ₱3.30 billion will be payable on June 3, 2020.

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 28, 2020. 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 24, 2020.

AC Energy

a) On April 21, 2020, the Parent Company confirmed the news article titled “Ayala to fully abandon coal investments by 2030” published online on April 20, 2020 by Philstar. AC Energy Philippines is making a commitment to transition to a lower carbon portfolio by rebalancing its generation portfolio to grow its renewable energy assets. Around 700 megawatts of new capacity was added to the company’s portfolio last year, of which 60% were from renewable sources and will continue to expand and diversify its generation capacity and will target to exceed 1,500-megawatt of capacity by 2020 and significantly increase itsrenewables capacity.

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

First Quarter Highlights

- Ayala Corporation's net income in the first quarter declined 17 percent to ₱6.7 billion as the COVID-19 health crisis affected the performance of most of its business units.

- Isolating the estimated impact of the health crisis, Ayala's net income was flat from its year-ago level, which included the ₱1 billion divestment gains from the merger of AC Education with iPeople.

- Ayala's core businesses Ayala Land and Bank of the Philippine Islands recorded weak results on the impact of government-mandated Enhanced Community Quarantine protocols, which took effect last March 16.

- Other core pillars Globe and AC Energy held steady during the period as telco and power generation continued to operate during the quarantine albeit on skeleton staffing.

- AC Industrials registered a net loss on the impact of government-mandated shutdown of its facilities in China and market disruptions in the global supply chain in manufacturing.

Consolidated Sales of Goods and Services

- Sale of goods and rendering services posted a 13 percent decline to ₱53.4 billion, mainly from lower revenues brought about by the pandemic hampering customer demand, occupancy, and slowdown in operations in Ayala Land and AC Industrials.

- The decrease was partially offset by higher AC Energy revenues that was driven by the consolidation of AC Energy Philippines and pre-operating revenues from GNPK.

Real Estate

- Ayala Land's total revenues and net income contracted 28 percent to ₱28.4 billion and 41 percent to ₱4.3 billion, respectively in the first quarter of 2020 as the COVID-19 ECQ impacted its business operations.

- Property development revenues were down 38 percent to ₱17.2 billion due to lower bookings, the impact of the Taal volcano eruption, and halted construction activities.
  - Residential revenues declined 39 percent to P13.8 billion.
  - Office for sale revenues dropped 68 percent to ₱962 million.
  - Commercial and industrial lots sales went up 8 percent to ₱2.5 billion.

- Commercial leasing revenues registered a five percent dip to ₱8.7 billion attributed to limited operations of shopping centers, lower hotel bookings, and closure of resorts, while continued operations of BPOs supported office leasing income.
  - Shopping center leasing revenues went down nine percent to ₱4.6 billion.
  - Office leasing income grew 15 percent to ₱2.5 billion.
  - Hotels and resorts rental revenues decreased 17 percent to ₱1.6 billion.

- The capital expenditure budget for the full year was revised to ₱69.8 billion from the original ₱110 billion estimate. CAPEX reached ₱21.6 billion in the opening quarter of the year.
  - 45 percent was spent on residential projects.
  - 23 percent was spent on rental assets.
  - 14 percent was spent on land acquisition.
  - 18 percent balance went towards estate development and other uses.

- Ayala Land's balance sheet remains health to support its financial and operational requirements during the period.
  - Cash and Cash Equivalents stood at ₱23.2 billion as of end March 2020.
  - Total debt increased nine percent to ₱230.7 billion and stockholder's equity stood at ₱242.9 billion.
  - Current ratio stood at 1.37 in the first quarter of 2020.
  - Debt-to-equity ratio tallied at 0.95 in the period.
  - Net debt-to-equity ratio reached 0.85 in the period.

Water

- Manila Water's first quarter 2020 net profits grew 4 percent year on year to ₱1.3 billion mainly due to the impact of the ₱534 million MWSS penalty and ₱353 million bill waiver from the water crisis last year.
    - Excluding these items, NIAT would be 12 percent lower due to higher depreciation (+26 percent) and interest expenses (+24 percent).

- Revenues increased by 9 percent driven by higher billed volumes and the ₱0.35 billion gross bill waiver incurred last year.

- EBITDA amounted to ₱3.1 billion, 10 percent higher, mainly due to lower overhead, premises and personnel costs. EBITDA margin for the period stood at 57 percent versus 56 percent last year.

- Non-revenue water improved to 12.3 percent, better than last year by 0.3 percentage points.

- The entry of a strategic investor into Manila Water is undergoing review from the involved parties. At the same time, the company is in negotiations with the government to form a new water contract with target to finalize by mid-2020.

Power

- AC Energy's net profits turned around during the period to ₱1.96 billion from ₱2 million a year ago, largely driven by its ₱1.3 billion pre-operating revenue from GN Power Kauswagan and recovery of costs incurred from adjustments in the construction and operations of its power plants.

- Higher generation from various wind platforms in the Philippines and Vietnam owing to strong wind regime likewise boosted AC Energy's net profits.

- AC Energy rendered 1,205 GWh of attributable net generation capacity in the first quarter of the 2020.

- In April, Ayala announced that it is consolidating its energy, water, and transport and logistics businesses under a holding company to create a sizeable and agile platform that would boost its foothold within the country's physical infrastructure space. The integrated infrastructure platform will house the company's stake in two listed companies, AC Energy Philippines Inc., and Manila Water Company Inc., and its unlisted unit AC Infrastructure Holdings Corporation. Ayala will use its wholly owned subsidiary AC Energy Inc. as the vehicle for the consolidated entity, which will be renamed to AC Energy and Infrastructure Corporation. The consolidation of Ayala's various infrastructure interests creates a formidable platform with a strong balance sheet and allows Ayala to participate in the many opportunities in infrastructure development in a more significant way. Ayala expects to complete the restructuring by the third quarter of the year.

Industrial Technologies

- AC Industrials registered a net loss of ₱564 million due to the softer performance of the global economy and the Philippine automotive sector in the first quarter of the year.

- IMI posted a net loss of ₱235 million (US$4.6 million) as revenues dropped 21 percent to ₱12.8 billion (US$256 million), hampered by government-mandated shutdowns of its China facilities in February and the ECQ protocols in the Philippines that began in mid-March.

- While operating sites in Europe and North America remained fully operational throughout the first quarter, revenues in these markets declined 15 percent owing to market disruptions in the global supply chain.

- While the overall market environment is challenging, IMI is pursuing additional business opportunities, particularly in the medical and telecommunications segments.

- AC Motors recorded a net loss of ₱204 million, primarily driven by the closure of Honda Car Philippines' Laguna facility combined with a plunge in the group's total sales. The lower unit sales was caused by the impact of the Taal eruption in the year and the COVID-19 pandemic lockdown towards the end of the first quarter.

- Merlin Solar posted a lower net loss on higher revenues from metal roof installations for commercial and industrial customers. Meanwhile, MT Technologies registered a higher net loss as it continued to face headwinds from the slowdown in global automotive and manufacturing.

Share in Net Profits of Associates and JV

- Share in net profits of associates and joint ventures was flattish and ended at ₱5.7 billion on the back of Globe's dip in net income from higher growth in depreciation and non-operating expense and BPI's decrease in net income from additional provisioning for potential rise in non-performing loans from the impact of COVID-19.

Banking

- BPI booked ₱4.2 billion in loan loss provisions in the first quarter of 2020 as it considered the potential rise in non-performing loans from the impact of the COVID-19 health crisis. The provision is 2.4x higher than the ₱1.8 billion allocated in the same period last year.

- Net earnings declined five percent to ₱6.4 billion in the period as a result of the bank's aggressive stance in provisioning.

- Total revenues increased 11 percent to ₱25.3 billion in the first three months of 2020 as robust net interest income provided uplift to topline while non-interest income exhibited modest growth.

- Net interest income was up 13 percent to ₱18.1 billion in the opening quarter of the year. The increase was driven by net interest margin expanding 24 basis points to 3.63 percent as lower asset yields were offset by lower cost of funds.

- Non-interest income rose six percent to ₱7.1 billion on the back of higher securities trading gains in the period.

- Total loans went up seven percent to ₱1.45 trillion in the first quarter of the year. The increase was supported by growth across all segments in the bank's loan book.
    - Microfinance loans grew 67 percent.
    - SME loans was up 14 percent.
    - Consumer loans increased 10 percent.
    - Corporate loan appreciated seven percent.

- Total deposits rose four percent to ₱1.68 trillion in the period ending March 2020.
    - CASA ratio stood at 73.5 percent.
    - Loan-to-deposit ratio ended at 86.3 percent.

- Indicative NPL coverage ratio increased 16.47 percentage points to 109.02 percent in March 2020. NPL ratio stood at 1.82 percent in the period.

- Operating expenses was slightly up four percent to ₱12.5 billion in the first three months of the year.
    - Cost-to-income ratio declined 340 basis points to 49.6 percent.

- Total assets grew five percent to ₱2.19 trillion in the first quarter of 2020. Total equity stood at ₱272.7 billion in the period.
    - Indicative common equity tier 1 ratio was at 15.19 percent.
    - Indicative capital adequacy ratio stood at 16.08 percent.
    - Return on asset was 1.21 percent.
    - Return on equity was 9.38 percent.

- BPI successfully raised ₱15.3 billion in 2-year peso bonds in January 2020. The bank raised another ₱33.9 billion via a 1.5-year peso bond issuance in March 2020. Both debt capital market transactions further enhanced the bank's liquidity position.

Telco

- Globe's net income ended at ₱6.6 billion, down 2 percent due to an increase in depreciation from network investments made and non-operating charges likewise increasing.

- Total service revenues grew 2 percent to ₱36.9 billion driven by data revenues, which comprised 75 percent of the figure versus 69 percent last year.

- Growth in data demand was evident across all sectors.
    - Mobile data revenues rose 12 percent to ₱18.5 billion.
    - Mobile data traffic jumped 41 percent to 522 petabytes.
    - Home broadband subscriber base increased 32 percent to over 2.2 million customers.
    - Corporate data revenues improved 4 percent to ₱3.2 billion.

- EBITDA ended at ₱20.5 billion, growing by 3 percent driven by the growth in service revenues.
    - Operating expenses including subsidy grew 2 percent to ₱16.4 billion.
    - EBITDA margin expanded to 56 percent from 55 percent last year.

- Capital expenditures amounted to ₱10.7 billion, up 22 percent. Of this, 68 percent went to data-related requirements to ensure stable data connection and provide enhanced internet services.

Cost and Expenses

- Cost of sales and services decreased 14 percent to ₱38.4 billion is aligned with the decline in revenues.

- General and administrative expenses recorded a 22 percent increase to ₱7.3 billion mainly from higher manpower costs from parent, Ayala Land, and AC Industrials. The increase was partially offset by IMI's reduced OPEX across sites and reversal of accruals mainly on maintenance. The consolidation of Generika and AC Energy Philippines and provisions for investments also contributed to the increase. Normalized increase in general and administrative expenses without these items would only be at six percent.

Balance Sheet Highlights

- Total assets rose 1.5 percent to ₱1.37 trillion from end-2019 level. Cash and cash equivalents increased eight percent on the back of Ayala Land's dividends received from its investees. Property, plant, and equipment grew eight percent to ₱96 billion mainly due to AC Energy's consolidation of Islasol and Sacasol entities. Reclassified as assets under PFRS 5, Ayala's investment in Manila Water and GNPK stood at ₱175 billion.

- Total debt increased 6.5 percent to ₱431.9 billion. The growth was due to additional debt for Ayala Land's and AC Energy's capital expenditures and parent's investment in the Yoma group.

- Parent level cash stood at ₱17.6 billion.

- Net debt stood at ₱93.0 billion.

- Parent net debt-to-equity ratio stood at 71 percent.

- Consolidated net debt-to-equity stood at 64 percent.

- Loan-to-value ratio, the ratio of its parent net debt (excluding the fixed-for-life perpetuals which have no maturity) to the total value of its assets, was at 10.3 percent.

- Parent-only CAPEX stood at ₱6.9 billion, which went mostly to the newer businesses of Ayala.

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 2020**	December 2019 / March 2019	**March 2020**	December 2019 / March 2019
		(In thousands)			
Liquidity Analysis Ratios					
Liquidity Ratio*	Cash & Cash equivalents + Short-term investments	**101,738,941**	106,793,054	**0.25**	0.27
	Current Liabilities	**407,856,536**	402,656,865		
	Cash & Cash equivalents	**100,692,733**	93,405,253		
	Short-term investments	**1,046,208**	13,387,801		
	Total	**101,738,941**	106,793,054		
Current Ratio*	Current Assets	**615,052,305**	609,285,431	**1.51**	1.51
	Current Liabilities	**407,856,536**	402,656,865		
Quick Ratio*	Current Assets - Inventories - Prepayments	**461,238,174**	458,847,007	**1.13**	1.14
	Current Liabilities	**407,856,536**	402,656,865		
	Current assets	**615,052,305**	609,285,431		
	Inventories	**(134,644,035)**	(135,064,303)		
	Prepayments	**(19,170,096)**	(15,374,122)		
	Quick assets	**461,238,174**	458,847,007		
Solvency Ratio*	Total Assets	**1,365,383,647**	1,345,285,958	**1.60**	1.61
	Total Liabilities	**851,178,434**	835,972,400		
Financial Leverage Ratios					
Assets- to-Equity Ratio*	Total Assets	**1,365,383,647**	1,345,285,958	**2.66**	2.64
	Total Stockholders' Equity	**514,205,214**	509,313,558		
Interest Rate Coverage Ratio**	Earnings Before Interest and Taxes (EBIT)	**17,425,741**	20,489,523	**2.81**	4.05
	Interest and other financing charges	**6,200,393**	5,063,087		
	Income after income tax from continuing operations	**8,972,424**	12,386,646		
	Provision for income tax	**2,252,924**	3,039,790		
	Interest and other financing charges	**6,200,393**	5,063,087		
	EBIT	**17,425,741**	20,489,523		
Debt Ratio*	Short-term debt + Long-term debt	**431,875,449**	405,338,157	**0.32**	0.30
	Total Assets	**1,365,383,647**	1,345,285,958		
	Short-term debt	**50,980,661**	29,788,643		
	Long-term debt (current & noncurrent)	**380,894,788**	375,549,514		
	Total debt	**431,875,449**	405,338,157		
Debt-to-Equity Ratio*	Short-term debt + Long-term debt	**431,875,449**	405,338,157	**0.84**	0.80
	Total Stockholders' Equity	**514,205,214**	509,313,558		

Ratio	Formula	March 2020	December 2019 / March 2019	March 2020	December 2019 / March 2019
		(In thousands)			
Profitability Ratios					
Gross Profit Margin**	Sale of goods & rendering of services - Cost of sales & services	**14,968,169**	16,922,041	**0.28**	0.27
	Sale of goods & rendering of services	**53,352,840**	61,605,066		
	Sale of goods & rendering of services	**53,352,840**	61,605,066		
	Cost of sales & services	**(38,384,671)**	(44,683,025)		
	Gross profit	**14,968,169**	16,922,041		
Net Profit Margin**	Net Profit	**7,712,060**	10,951,783	**0.14**	0.18
	Sale of goods & rendering of services	**53,352,840**	61,605,066		
	Gross profit	**14,968,169**	16,922,041		
	General and administrative expenses	**(7,256,109)**	(5,970,258)		
	Net Profit	**7,712,060**	10,951,783		
Return on Equity**	Net Income to Owners of the Parent	**6,661,367**	8,031,010	**1.3%**	1.6%
	Total Stockholders' Equity	**514,205,214**	486,734,665		
Return on Common Equity***	Net Income to Owners of the Parent (Common)	**6,349,315**	7,711,604	**2.1%**	2.8%
	Common Equity Attributable to Owners of the Parent (Average)	**305,692,007**	274,371,528		
	Net income to owners of the Parent	**6,661,367**	8,031,010		
	Less: Dividends on preferred stock	**(312,053)**	(319,406)		
	NIAT to Common	**6,349,315**	7,711,604		
		March 2020	December 2019		
	Equity attributable to owners of the parent	**332,371,113**	328,807,265		
	Preferred shares	**(24,896,722)**	(24,897,642)		
	Common equity attributable to owners of the Parent	**307,474,391**	303,909,623		
	Average common equity attributable to owners of the Parent	**305,692,007**			
		March 2019	December 2018		
	Equity attributable to owners of the parent	**305,171,010**	290,607,469		
	Preferred shares	**(23,517,712)**	(23,517,712)		
	Common equity attributable to owners of the Parent	**281,653,298**	267,089,757		
	Average common equity attributable to owners of the Parent	**274,371,528**			
Return on Assets**	Net Income	**10,821,202**	13,348,976	**0.8%**	1.1%
	Total Assets	**1,365,383,647**	1,244,535,135		
Price/Earnings Ratio**	Price Per Share	**467.40**	940.00	**46.10**	76.87
	Earnings Per Common Share (Basic)	**10.14**	12.23		

** Based on "As at" March 31, 2020 (Unaudited) and December 31, 2019 (Audited) balances.*

*** Includes both "As at" and "Period ended" March 31, 2020 and 2019 (both unaudited) balances.*

**** Includes both "As at" and "Period ended" March 31, 2020 and 2019 (both unaudited) and December 31, 2019 and 2018 (Audited) balances.*

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

The Group does not expect any liquidity problems and is not in default of any financial obligations. The Group complied with the existing loan covenants and restrictions as of March 31, 2020.

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

None

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

None

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

For 2020, the Ayala Group has programmed ₱275 billion in capital expenditures, of which ₱20.8 billion has been earmarked under the Parent company to support the emerging businesses in its portfolio. Parent-only CAPEX stood at ₱6.9 billion as of the three-month period ended March 2020, which went mostly to the newer businesses of Ayala. The health and economic crisis caused by Covid19 and ECQ resulted in key business units revisiting their capex outlay for the rest of the year. ALI estimates its full year capex reduced to P69.8 billion from originally planned P110 billion. Globe will re-evaluate full year impact once ECQ is lifted but as of March 2020, Globe posted capital expenditures of P10.7 billion, 22% higher than same period last year. Capex was spent on data network, as Globe continues to focus more on ensuring the availability of quality internet services for customers nationwide, as connectivity is crucial at this time with the COVID-19 crisis.

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

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

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
<u>As at March 31, 2020 (Unaudited) vs. December 31, 2019 (Audited)</u>

The March 31, 2020 (unaudited) and December 31, 2019 (audited) consolidated financial statements show MWCI accounts reclassified as assets/ liabilities and operations under PFRS/ IFRS 5 in the Balance Sheet and Income Statement, respectively arising from MWCI and Prime Metroline Holdings signing of a subscription agreement in February 2020. Further discussions are in Note 20 of this SEC17Q report and in Notes 2 and 25 of the Group's 2019 audited consolidated financial statements.

(Amounts in Millions)	March 2020			December 2019	Inc (Dec) March 2020 vs. December 2019	
	Pre-PFRS	**PFRS 5 MWC**	**Unaudited**	Audited		
ASSETS						
Cash and cash equivalents	**₱ 108,339**	**₱ (7,646)**	**₱ 100,693**	₱ 93,405	₱ 7,287	8%
Short-term investments	**6,299**	**(5,253)**	**1,046**	13,388	(12,342)	-92%
Accounts and notes receivable	**132,216**	**(2,358)**	**129,858**	130,869	(1,010)	-1%
Inventories	**135,003**	**(359)**	**134,644**	135,064	(420)	0%
Other current assets	**73,181**	**(1,956)**	**71,225**	62,933	8,292	13%
Assets under PFRS 5 [a]	**59,130**	**115,374**	**174,504**	170,467	4,038	2%
Noncurrent accounts and notes receivable	**54,452**	**(50)**	**54,402**	55,720	(1,318)	-2%
Investments in associates and joint ventures	**261,874**	**(9,297)**	**252,577**	246,731	5,845	2%
Investment properties	**252,223**	**-**	**252,223**	246,732	5,490	2%
Property, plant and equipment	**99,133**	**(3,333)**	**95,801**	88,782	7,019	8%
Right-of-use assets	**19,043**	**(311)**	**18,732**	18,221	511	-
Service concession assets	**78,952**	**(77,339)**	**1,613**	1,639	(26)	-2%
Deferred tax assets - net	**15,783**	**(1,744)**	**14,039**	14,246	(208)	-1%
Other assets	**69,757**	**(5,729)**	**64,028**	67,089	(3,061)	-5%
Total Assets	**₱ 1,365,384**	**₱ (0)**	**₱ 1,365,384**	₱ 1,345,286	₱ 20,098	1%

[a] includes total assets of GNPK amounting to P59.1B and P60.7B in March 2020 and December 2019, respectively.

LIABILITIES AND EQUITY						
Liabilities						
Short-term debt	**₱ 54,874**	**₱ (3,893)**	**₱ 50,981**	₱ 29,789	₱ 21,192	71%
Accounts payable and accrued expenses	**187,464**	**(8,126)**	**179,338**	195,416	(16,078)	-8%
Income tax payable	**3,637**	**(750)**	**2,887**	2,397	490	20%
Other current liabilities	**22,936**	**(9)**	**22,926**	28,395	(5,468)	-19%
Liabilities under PFRS 5 [b]	**39,636**	**82,155**	**121,790**	121,488	303	0%
Long-term debt	**437,094**	**(56,199)**	**380,895**	375,550	5,345	1%
Lease liabilities	**22,959**	**(310)**	**22,649**	22,381	268	-
Service concession obligation	**8,789**	**(8,723)**	**66**	66	0	0%
Deferred tax liabilities - net	**9,400**	**(591)**	**8,809**	8,036	773	10%
Pension liabilities	**4,363**	**(218)**	**4,145**	3,756	389	10%
Other liabilities	**60,029**	**(3,336)**	**56,692**	48,700	7,993	16%
Total Liabilities	**₱ 851,178**	₱ 0	**₱ 851,178**	₱ 835,972	₱ 15,206	2%

[b] includes total liabilities of GNPK amounting to P39.6B and P42.9B in March 2020 and December 2019, respectively.

The Covid19 impacted the health and economy globally, consequently, affected the operations of the Group: from lockdown in February 2020 in certain areas of China (where the Group operates) to World Health Organization's declaring this as pandemic in March 11, 2020. The month of March 2020 saw harsher impact of this Covid19 pandemic in the Philippines: from state of health emergency in March 8, declaring mega Metro Manila under enhanced community quarantine (ECQ) in March 15, to implementation of wider coverage of ECQ in other parts of Luzon and certain areas of Visayas and Mindanao and also declaring the country under state of calamity happening both in March 17. In this regard, one of the key reasons for the year-on-year variances would be the impact of this ECQ in the last 2 weeks of the 1st quarter of 2020. The following account balances reflected the effect in operations of this health and economic crisis:

- *Cash & cash equivalents and Short term investment – 5% decrease from combined balance of ₱106,793 million to ₱101,739 million*
  Decrease primarily due to lower collections of subsidiaries, buy-back of shares (AC and ALI); infusions to business units and new investments (e.g., Yoma group). These accounts comprise 7% and 8% and of the total assets as of March 31, 2020 and December 31, 2019, respectively

- *Other noncurrent assets – 5% decrease from ₱67,089 million to ₱64,028 million*
  Decrease mainly due to lower real estate-related project advances, partly offset by certain investments in financial assets at FVOCI. The account also includes the Group's pension asset amounting to ₱78 million and ₱81 million in March 31, 2020 and December 31, 2019, respectively.[1] This account is at 3% and 4% and of the total assets as of March 31, 2020 and December 31, 2019, respectively.

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

- *Accounts payable & accrued expenses, Contract liabilities and Other current liabilities – 10% decrease from ₱223,811 million to ₱202,265 million*
  Decrease mainly due to slowdown in operations of subsidiaries, lower customer deposits and AC's dividend payment. These were partly offset by impact of consolidation of Islasol and Sacasol entities under AC Energy. These accounts comprise at 24% and 27% of the total liabilities as of March 31, 2020 and December 31, 2019, respectively.

The movements for other balance sheet accounts are explained as follows:

Other current assets – 13% increase from ₱62,933 million to ₱71,225 million
Increase mainly coming from ALI's reclassification of project advances, Bestfull's infusion to FMI/ Yoma group; plus the various subsidiaries' higher CWT, input tax and prepayments. This account is at 5% of the total assets as of March 31, 2020 and December 31, 2019.

Property, plant and equipment – 8% increase from ₱88,782 million to ₱95,801 million
Increase mainly due to AC Energy's consolidation of Islasol and Sacasol entities. This account is at 7% of the total assets as of March 31, 2020 and December 31, 2019.

Intangible assets – 7% increase from ₱16,626 million to ₱17,811 million
Increase due to AC Health's goodwill on acquisition of Healthway. This account is at 1% of the total assets as of March 31, 2020 and December 31, 2019.

Short-term debt – 71% increase from ₱29,789 million to ₱50,981 million
Increase mainly due to borrowings of: ALI to fund capital expenditures and buy-back of shares and IMI's for payment of long-term debt. This account is at 6% and 4% of the total liabilities as of March 31, 2020 and December 31, 2019, respectively.

Income tax payable – 20% increase from ₱2,397 million to ₱2,887 million
Increase mainly arising from ALI group. This account is at below 1% of the total liabilities as of March 31, 2020 and December 31, 2019.

Long-term debt (current) – 19% increase from ₱23,879 million to ₱28,401 million
Increase mainly due to borrowings of: AYC's to fund investment in Yoma group and ACEPH (under AC Energy's) to fund investments and operational expansion. This account is at 3% of the total liabilities as of March 31, 2020 and December 31, 2019.

Lease liabilities (current) – 33% increase from ₱1,028 million to ₱1,369 million
Increase mainly coming from IMI, AC Energy and ACI. This account is at below 1% of the total liabilities as of March 31, 2020 and December 31, 2019, respectively.

Deferred tax liabilities (net) – 10% increase from ₱8,036 million to ₱8,809 million
Increase mainly coming from ALI and IMI. This account is at 1% of the total liabilities as of March 31, 2020 and December 31, 2019.

Pension liabilities[1] – 10% increase from ₱3,756 million to ₱4,145 million
Increase attributable to ALI and AC Energy partly offset by decrease in ACI and IMI accounts. This account is below 1% of the total liabilities as of March 31, 2020 and December 31, 2019.

Other noncurrent liabilities – 17% increase from ₱48,447 million to ₱56,541 million
Increase attributable to ALI's higher deposits and other liabilities. This account is at 7% and 6% of the total liabilities as of March 31, 2020 and December 31, 2019, respectively.

Remeasurement losses on defined benefit plan – 5% increase from negative ₱3,117 million to negative ₱3,275 million
Increase caused by discount rate assumptions. This account is at below 1% of the total equity as of March 31, 2020 and December 31, 2019.

Fair value reserve of financial assets at FVOCI – 17x increase from ₱67 million to ₱1,215 million
Increase attributable to AC Energy's provisional goodwill on investments in Islasol and Sacasol; partly offset by lower fair market value of securities held by BPI group. This account is at below 1% of the total equity as of March 31, 2020 and December 31, 2019.

Cumulative translation adjustments (CTA) – 100% decrease from ₱3,235 million to ₱2 million

Decrease due to decrease in foreign-denominated net asset accounts of AC Energy, ACI, ALI and IMI partly offset by movement in forex for PhP vs. USD. Forex of PhP vs USD amounted to ₱50.68 in March 2020 vs. ₱50.635 in December 2019. This account is at below 1% of the total equity as of March 31, 2020 and December 31, 2019.

Treasury stock – 15% increase from ₱5,738 million to ₱6,605 million
Increase due to AC parent's buy-back of common shares (see Note 17). This account is 1% of the total equity as of March 31, 2020 and December 31, 2019.

Reserves under PFRS 5 – 8% decrease from ₱1,467 million to ₱1,354 million
Decrease due to MWC's lower CTA and equity reserves. This account is at below 1% of the total equity as of March 31, 2020 and December 31, 2019.

Income Statement items

For the Periods Ended March 31, 2020 (Unaudited) and March 31, 2019 (Unaudited-Restated)

The accounts of MWCI are reclassified as operations under PFRS 5 in the Group's consolidated income statement for 1st quarter ending 2020 and 2021 (both unaudited) as follows:

(Amounts in Millions)	For the Periods Ended March 31, 2020			For the Periods Ended March 31, 2019 (As Restated)			Inc (Dec)	
	Pre-PFRS	PFRS 5 MWC	Unaudited	Pre-PFRS	PFRS 5 MWC	Unaudited		
CONTINUING OPERATIONS								
REVENUE (Note 19)								
Sale of goods and rendering of services	₱ 58,516	₱ (5,163)	₱ 53,353	₱ 66,066	₱ (4,461)	₱ 61,605	₱ (8,252)	-13%
Share in net profits of associates & joint ventures	5,966	(230)	5,737	5,924	(207)	5,717	20	0%
Interest income	2,567	(116)	2,451	2,335	(162)	2,173	278	13%
Dividend income	180	-	180	13	-	13	167	1244%
	67,229	(5,508)	61,721	74,338	(4,830)	69,508	(7,787)	-11%
COSTS AND EXPENSES								
Costs of sales and services	40,253	(1,868)	38,385	46,624	(1,941)	44,683	(6,298)	-14%
General and administrative expenses	8,089	(832)	7,256	7,297	(1,327)	5,970	1,286	22%
	48,341	(2,701)	45,641	53,922	(3,269)	50,653	(5,013)	-10%
OTHER INCOME (CHARGES) - Net								
Other income	3,151	(1,805)	1,346	3,555	(1,921)	1,635	(289)	-18%
Interest and other financing charges	(6,777)	577	(6,200)	(5,596)	533	(5,063)	(1,137)	-22%
Other charges	(1,607)	1,607	-	(1,420)	1,420	-	-	-
	(5,233)	379	(4,855)	(3,461)	32	(3,428)	(1,426)	-42%
INCOME BEFORE INCOME TAX	13,654	(2,429)	11,225	16,956	(1,529)	15,426	(4,201)	-27%
Provision for income tax	2,833	(580)	2,253	3,607	(567)	3,040	(787)	-26%
INCOME AFTER INCOME TAX	10,821	(1,849)	8,972	13,349	(962)	12,387	(3,414)	-28%
OPERATIONS OF THE SEGMENT UNDER PFRS 5								
Net income after tax **(NIAT) [c]**	-	1,849	1,849	-	962	962	886	92%
NET INCOME	₱ 10,821	₱ -	₱ 10,821	₱ 13,349	₱ -	₱ 13,349	₱ (2,528)	-19%
Net Income Attributable to:								
Owners of the Parent Company	₱ 6,661		₱ 6,661	₱ 8,031		₱ 8,031	-₱ 1,370	-17%
Non-controlling interests	4,160		4,160	5,318		5,318	(1,158)	-22%
	₱ 10,821	₱ -	₱ 10,821	₱ 13,349	₱ -	₱ 13,349	₱ (2,528)	-19%

[c] NIAT higher vs. the reported NIAT of MWC due to cut-off adjustments to be taken up at AC consolidated FS in April 2020. Along with other cut-off adjustments, the net effect to consolidated NIAT is less than 1%.

The Covid19 pandemic has similarly affected the operating results of certain subsidiaries and investees reflected in the following income statement accounts:

- *Sale of goods and rendering services – 13% decrease from ₱61,605 million to ₱53,353 million*
  Decrease mainly affected by ECQ/ pandemic: ALI (lower construction completion, residential segment bookings, rental waive and lower occupancy rates); and IMI, ACI and other subsidiaries' lower revenues caused by lower customer demand and slowdown in operations. These were partly offset by higher AC Energy revenues due to consolidation of ACEPH and pre-operating revenues of GNPK. As a percentage to total revenue, this account is at 86% and 89% in March 31, 2020 and 2019, respectively.

- *Cost of sales and services – 14% decrease from ₱44,683 million to ₱38,385 million*
  Decrease in account is aligned with the decrease in revenues. As a percentage to total costs and expenses, this account is at 84% and 88% in March 31, 2020 and 2019, respectively.

- *Income attributable to owners of the parent – 17% decrease from ₱8,031 million to ₱6,661 million*

Decrease resulting from this year's lower net income results of most of the investees particularly ALI, IMI, ACI and BPI as an effect of the pandemic and BHL's provision for impairment; plus impact of last year's gain on AC Education and iPeople merger; partly offset by AC Energy's better operating results. As a percentage to total net income, this account is at 62% and 60% in March 31, 2020 and 2019, respectively.

- *Income attributable to non-controlling interests – 22% decrease from ₱5,318 million to ₱4,160 million*
  Decrease resulting from lower net income results of ALI, IMI and ACI as an effect of the pandemic; partly offset by AC Energy's better results. As a percentage to total net income, this account is at 38% and 40% in March 31, 2020 and 2019, respectively.

The movements for other income statement accounts are explained as follows:

Interest income – 13% increase from ₱2,173 million to ₱2,451 million
Increase attributable to AC Energy group. As a percentage to total revenue, this account is at 4% and 3% in March 31, 2020 and 2019, respectively.

General and administrative expenses – 22% increase from ₱5,970 million to ₱7,256 million
Increase mainly from BHL's provision for impairment of an investment, higher manpower costs of ACI, ALI and AC; partly offset by IMI's decline in operating expenses across sites and reversal of accruals mainly on maintenance. This account also includes AC Parent Company's donation to Philippine Disaster Resilience Foundation (PDRF) amounting to ₱105 million intended for PDRF's Project Damayan to support various initiatives to combat Covid19 and assist various sectors affected by the health crisis. Increase also includes impact of newly consolidated subsidiaries (AC Energy's ACEPH and AC Health's Generika). Without these new subsidiaries, impairment and reversal of accruals, normalized increase of GAE stands 6% year-on-year. As a percentage to total costs and expenses, this account is at 16% and 12% in March 31, 2020 and 2019, respectively.

Dividend and other income – 7% net decrease from ₱1,648 million to ₱1,526 million
Decrease mainly from impact of last year's gain on AC Education and iPeople merger by AC and last year's fair value adjustments on IMI's VTS acquisition put option and reversal of accruals; partly offset by current year's higher other income of AC Energy arising from liquidated damages on delayed completion of GNPK plant and negative goodwill on acquisition of investments.

Interest and other financing charges – 22% increase from ₱5,063 million to ₱6,200 million
Increase coming from of ALI, AC Energy and AYCFL as a result of higher debt balance level this year as compared to last year. The Group's adoption of PFRS 16 also increased interest expense by ₱437 million.

Provision for income tax (current and deferred) – 26% decrease from ₱3,040 million to ₱2,253 million
Decrease mainly due to lower net income of ALI for the period.

Operations of the segment under PFRS 5 – 92% increase from ₱962 million to ₱1,849 million income
Includes the net income after tax of MWCI less consolidation adjustments. Increase mainly due to impact of last year's bill waiver and higher billed volume this year and lower operating expenses coming from last year's provisions and penalties.

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 of every year from shopping centers due to holiday spending.

ALI's development operations are dependent on market conditions and the timing of project launches depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.

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

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

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

Refer to Note 24 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements.

3.1 Other material events or transactions during the interim period.

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

PART II – OTHER INFORMATION

The other major information about the Group are disclosed in the appropriate notes in the previously filed Audited Consolidated Financial Statements for December 31, 2019 or in the SEC 17A / SEC 17Q and SEC 17-C reports for 2019.

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

1. On April 24, 2020, at the annual meeting of the Parent Company's stockholders, the following are approved:

    a. Approval of minutes of the annual stockholders' meeting held on April 26, 2019.
    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, 2019, as audited by the Corporation's external auditor SyCip Gorres Velayo & Co.
    c. Ratification of each and every act and resolution, from April 26, 2019 to April 24, 2020 (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. Election of the following as directors to serve as such effective immediately and until their successors are elected and qualified:

        Jaime Augusto Zobel de Ayala
        Fernando Zobel de Ayala
        Rizalina G. Mantaring (Independent Director)
        Delfin L. Lazaro
        Xavier P. Loinaz (Independent Director)
        Keiichi Matsunaga
        Antonio Jose U. Periquet (Independent Director)

    e. Approval of the election of SyCip, Gorres, Velayo & Co. as the external auditors of the Parent Company for the year 2020 for an audit fee of ₱6.06 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
Rizalina G. Mantaring (independent director)	Member
Keiichi Matsunaga	Member
Risk Management and Related Party Transactions Committee	
Antonio Jose U. Periquet (independent director)	Chairman
Rizalina G. Mantaring (independent director)	Member
Keiichi Matsunaga	Member
Corporate Governance and Nomination Committee	
Rizalina G. Mantaring (independent director)	Chairman
Xavier P. Loinaz (independent director)	Member
Antonio Jose U. Periquet (independent director)	Member
Personnel and Compensation Committee	
Rizalina G. Mantaring (independent director)	Chairman

Delfin L. Lazaro	Member
Keiichi Matsunaga	Member

Finance Committee

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

Committee of Inspectors of Proxies and Ballots

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

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

c. Election of Officers (excluding seconded officers):

Jaime Augusto Zobel de Ayala	- Chairman & Chief Executive Officer
Fernando Zobel de Ayala	- Vice Chairman, President and Chief Operating Officer
Jose Rene Gregory D. Almendras	- Senior Managing Director
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
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. 2020 stock option program pursuant to the Employee Stock Ownership Plan (the “Plan”). The program authorizes the grant to 32 executives, in accordance with the terms of the Plan, stock options covering up to a total of 1,461,423 common shares at a subscription price of ₱470.72 per share, which is the rounded off volume-weighted average prices of our common shares at the Philippine Stock Exchange over the last 5-day trading days from March 13 to 23, 2020.

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 and Chief Executive Officer, Manila Water Company, Inc. and Chief Executive Officer, AC Infrastructure Holdings Corporation
Alfredo I. Ayala	- Chief Operating Officer, iPeople inc.
Paolo Maximo F. Borromeo	- President and Chief Executive Officer, Ayala Healthcare Holdings, Inc. and Corporate Strategy and Development Group Head, Ayala Corporation
Cezar P. Consing	- President and Chief Executive Officer, Bank of the Philippine Islands

Ernest Lawrence L. Cu	- President and Chief Executive Officer, Globe Telecom, Inc.
Bernard Vincent O. Dy	- President and Chief Executive Officer, Ayala Land, Inc.
John Eric T. Francia	- President and Chief Executive Officer, AC Energy, 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	- President and Chief Executive Officer, Integrated Micro-Electronics, Inc. and AC Industrial Technology Holdings, Inc.

b. Ayala Corporation Management Committee

Jaime Augusto Zobel de Ayala
Fernando Zobel de Ayala
Paolo Maximo F. Borromeo
Solomon M. Hermosura
Jose Teodoro K. Limcaoco
John Philip S. Orbeta

SIGNATURE

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

Registrant **AYALA CORPORATION**

By:

JOSEPHINE G. DE ASIS
Authorized Signatory
Comptroller
Ayala Corporation

Date: May 14, 2020