

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
Sep 30, 2018
2. SEC Identification Number
AS093-7946
3. BIR Tax Identification No.
003-831-302-000
4. Exact name of issuer as specified in its charter
ALLIANCE GLOBAL GROUP, INC.
5. Province, country or other jurisdiction of incorporation or organization
METRO MANILA, PHILIPPINES
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Ave.,
Bagumbayan, Quezon City
Postal Code
1110
8. Issuer's telephone number, including area code
(632) 70920-38 to -41
9. Former name or former address, and former fiscal year, if changed since last report
N/A
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 of Common Stock Outstanding and Amount of Debt Outstanding
Common	10,061,254,279
Treasury	208,573,700

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes No

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange; Common Shares
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 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 twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days

Yes No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



Alliance Global Group, Inc.

AGI

PSE Disclosure Form 17-2 - Quarterly Report References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Sep 30, 2018
Currency (indicate units, if applicable)	Philippine Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2018	Dec 31, 2017
Current Assets	279,525,500,708	267,905,437,648
Total Assets	598,985,773,136	561,821,792,882
Current Liabilities	100,589,393,539	111,714,388,678
Total Liabilities	301,224,916,980	289,979,745,091
Retained Earnings/(Deficit)	114,374,514,883	102,320,728,321
Stockholders' Equity	297,760,856,156	271,842,047,791
Stockholders' Equity - Parent	174,380,540,944	162,574,974,361
Book Value per Share	29.96	26.9

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	37,931,782,905	32,527,505,098	108,001,533,910	97,548,888,747
Gross Expense	30,396,980,395	25,474,024,473	84,178,603,825	75,911,994,739
Non-Operating Income	1,056,083,228	958,239,368	4,146,036,907	2,779,981,734
Non-Operating Expense	1,353,416,542	1,490,060,247	4,600,476,727	4,686,094,809
Income/(Loss) Before Tax	7,237,469,196	6,521,659,746	23,368,490,265	19,730,780,933
Income Tax Expense	1,025,769,976	1,446,088,382	4,726,017,258	4,571,400,117
Net Income/(Loss) After Tax	6,211,699,220	5,075,571,364	18,642,473,007	15,159,380,816
Net Income Attributable to Parent Equity Holder	4,206,748,579	3,461,581,443	12,063,624,142	10,181,009,436
Earnings/(Loss) Per Share (Basic)	0.42	0.34	1.21	1

Earnings/(Loss) Per Share (Diluted)	0.42	0.34	1.21	0.99
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	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	2.55	2.04
Earnings/(Loss) Per Share (Diluted)	2.54	2.01

Other Relevant Information

Please see attached SEC Form 17-Q for the period ended 30 September 2018.

Filed on behalf by:

Name	Erika Marie Tugano
Designation	Authorized Representative

COVER SHEET

SEC Registration Number

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COMPANY NAME

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PRINCIPAL OFFICE (No./Street/Barangay/City/Town)Province)

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Form Type

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Department requiring the report

S	E	C
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Secondary License Type, If Applicable

Certificate of Permit to Offer Securities for Sale

COMPANY INFORMATION

Company's Email Address

dinainting@allianceglobal.com.ph

Company's Telephone Number/s

709-2038 to 41

Mobile Number

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No. of Stockholders

864

Annual Meeting
Month/Day

JUNE 3RD THURSDAY

Fiscal Year
Month/Day

DECEMBER 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

DINA INTING

Email Address

dinainting@allianceglobal.com.ph

Telephone Number/s

709-2038 to 41

Mobile Number

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Contact Person's Address

7th Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City
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Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. *For the quarterly period ended* **September 30, 2018**
2. *SEC Identification Number* **AS093-7946**
3. *BIR Tax Identification No.* **003-831-302-000**
4. *Exact name of issuer as specified in its charter* **ALLIANCE GLOBAL GROUP, INC.**
5. **METRO MANILA, PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization
6. *(SEC Use Only)*
Industry classification code
7. **7thFloor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez Jr. Ave., Bagumbayan, 1110 Quezon City**
Address of principal office
8. **(632) 70920-38 to -41**
Registrant's telephone number, including area code
9. *Securities registered pursuant to Sections 8 and 12 of the SRC, or secs. 4 and 8 of the RSA*

<i>Title of Each Class</i>	<i>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</i>
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Common	10,061,254,279 (net of 208,573,700 buyback shares held by AGI)
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10. *Are any or all of these securities listed on a Stock Exchange?* **Yes, on the Philippine Stock Exchange.**
11. *(a) AGI has filed all reports required to be filed by Section 17 of the SRC 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 twelve (12) months.*

(b) AGI has been subject to such filing requirements for the past ninety (90) days.

PART I – FINANCIAL INFORMATION

1. FINANCIAL STATEMENTS

Consolidated Statements of Financial Position
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Equity
Consolidated Statements of Cash Flows
Notes to Interim Consolidated Financial Statements
Schedule of Financial Soundness Indicators
Aging Schedule of Trade and Other Receivables Under Current Assets

The interim consolidated financial statements (ICFS) have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standard 34, *Interim Financial Reporting*. As such, they do not include all of the information and disclosures required for full annual consolidated financial statements, and thus should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2017 (ACFS). The accounting policies and methods used in the ICFS are consistent with those applied in ACFS, except for changes brought about by the adoption of new standards that become effective on January 1, 2018 (see Note 2.2 to the ICFS and Note 2.3(c) to the ACFS).

Accounting estimates, assumptions and judgments are used in preparing these statements; and while these are believed to be reasonable under the circumstances, actual results may ultimately differ from such estimates (see Note 3 to the ACFS).

The ICFS comprise the financial statements of the Company and its subsidiaries, after elimination of material intercompany transactions. In addition, shares of stock of the Company acquired by any of these subsidiaries are recognized as treasury shares and these are presented at cost as a deduction in the consolidated statements of changes in equity. Any changes in their market values as recognized separately by the subsidiaries are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital.

Business Segments

The Group is organized into four major business segments, which aptly correspond to its operating subsidiaries, namely Megaworld, Emperador, Travellers or RWM, and GADC, which in turn represent the main products and services provided by the Group and the lines of business in which the Group operates, i.e. real estate development and leasing, manufacture and distribution of distilled spirits, tourism-entertainment and gaming, and quick-service restaurants operations (see Note 4 to the ICFS).

Please refer to Note 1 to the ICFS and ACFS for a comprehensive list of subsidiaries, associates and joint ventures.

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF INTERIM FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Key Performance Indicators

Presented below are the top five (5) key performance indicators:

In Million Pesos

	Jan-Sept 2018	Jan- Sept 2017	Qtr 3 2018	Qtr 3 2017	Qtr 2 2018	Qtr 2 2017	Qtr 1 2018	Qtr 1 2017
REVENUES	112,148	100,329	38,988	33,486	37,857	33,140	35,303	33,703
NET PROFIT	18,642	15,159	6,212	5,075	6,987	4,703	5,444	5,381
NET PROFIT TO OWNERS OF AGI	12,064	10,181	4,207	3,462	4,357	3,153	3,499	3,567
Revenue Growth	11.78%	-1.22%	16.4%	-2.91%	14.23%	-2.51%	4.75%	1.88%
Net Profit Growth	22.98%	-12.56%	22.38%	-15.29%	48.57%	-22.59%	1.17%	2.13%
NP Attributable to Parent Growth	18.49%	-7.85%	21.53%	-8.01%	38.21%	-20.11%	-1.89%	6.83%
Net profit rate	16.62%	15.11%	15.93%	15.16%	18.46%	14.19%	15.42%	15.97%
NP Attributable to parent rate	10.76%	10.15%	10.79%	10.34%	11.51%	9.51%	9.91%	10.58%
Return on investment/assets [NP/TA]	3.11%	2.78%						
	Sep-18	Dec-17	Growth	Sep-17				
TOTAL ASSETS	598,986	561,822	6.61%	544,952				
CURRENT ASSETS	279,526	267,905	4.34%	262,284				
CURRENT LIABILITIES	100,589	111,714	-9.96%	114,731				
Current ratio	2.8X	2.4x		2.29x				
Quick ratio	1.4X	1.3x		1.22x				

Note: Numbers may not add up due to rounding.

- Revenue growth – measures the percentage change in sales/revenues over a designated period of time. Performance is measured both in terms of amount and volume, where applicable.
- Net profit growth – measures the percentage change in net profit over a designated period of time
- Net profit rate – computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs
- Return on investment [or capital employed] – the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net income
- Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash, marketable securities, accounts receivables] is divided by current liabilities.

Results of Operations – Nine Months

By Subsidiary groups:

<i>In Million Pesos</i>						
	MEG	EMP	RWM	GADC	Others	TOTAL
2018						
Revenues	41,590	30,392	18,586	20,459	4,774	115,801
Intercompany/ Adjustment	-113		-47		-3,494	
Consolidated	41,477	30,392	18,539	20,459	1,280	112,148
<i>% contribution</i>	37%	27%	17%	18%	1%	100%
Costs and expenses	26,547	24,355	16,728	18,983	2,275	88,888
Intercompany/ Adjustment		-26	-28	-61	6	
Consolidated	26,547	24,329	16,700	18,922	2,281	88,779
Tax Expense	3,379	789	38	485	35	4,726
Net profit	11,664	5,248	1,820	991	2,464	22,187
Intercompany/ Adjustment	-113	26	-19	61	-3,500	
Consolidated	11,551	5,274	1,801	1,052	-1,036	18,642
<i>% contribution</i>	62%	28%	10%	6%	-6%	100%
Net profit to owners	11,291	5,134	1,824	991	2,465	21,705
Intercompany/ Adjustment	-3,811	-866	-1,020	-444	-3,500	
Consolidated	7,480	4,268	804	547	-1,036	12,064
<i>% contribution</i>	62%	35%	7%	5%	-9%	100%
2017						
Revenues	36,527	27,468	15,747	18,682	6,179	104,603
Intercompany/ Adjustment	-56		10		-4,228	
Consolidated	36,471	27,468	15,757	18,682	1,951	100,329
<i>% contribution</i>	36%	27%	16%	19%	2%	100%
Costs and expenses	23,174	22,192	15,555	17,231	2,508	80,660
Intercompany/ Adjustment	-3	-24	-29		-7	
Consolidated	23,171	22,168	15,526	17,231	2,501	80,597
Tax Expense	3,013	831	228	475	25	4,572
Net profit	10,340	4,445	-36	976	3,646	19,371
Intercompany/ Adjustment	-53	24	39	0	-4,221	
Consolidated	10,287	4,469	3	976	-575	15,160
<i>% contribution</i>	68%	29%	0%	6%	-4%	100%
Net profit to owners	9,981	4,444	-34	966	3,646	19,003
Intercompany/ Adjustment	-3,322	-788	58	-493	-4,279	
Consolidated	6,659	3,656	24	473	-633	10,179
<i>% contribution</i>	65%	36%	0%	5%	-6%	100%
Year-on-year Change						
2018						
Revenues	13.72%	10.65%	17.66%	9.51%	-34.34%	11.78%
Costs and expenses	14.57%	9.75%	7.56%	9.81%	-8.83%	10.15%
Tax Expense	12.17%	-5.04%	-83.51%	2.08%	43.00%	3.38%
Net profit	12.27%	18.03%	696x	7.70%	79.79%	22.98%
Net profit to owners	12.33%	16.74%	32x	15.44%	63.70%	18.49%

Notes: Numbers may not add up due to rounding. Percentages are taken based on full numbers, not from the presented rounded amounts.

-At AGI consolidated level, as presented above, revenues and costs and expenses may differ from the totals separately reported by subsidiaries as there may be items reclassified from/to revenues to/from costs or expenses to follow the group's consolidated presentation.

Profit and loss accounts:

<i>In Million Pesos</i>	<u>2018</u>	<u>2017</u>	<u>2018 vs 2017</u>
REVENUES			
Sale of goods	59,090	53,426	10.60%
Consumer goods	30,700	27,770	10.55%
Revenues from real estate (RE) sales	28,390	25,656	10.66%
RE sales	23,035	20,960	9.90%
Realized gross profit on RE sales	3,958	3,306	19.70%
Interest income on RE sales	1,397	1,390	0.51%
Rendering of services	48,912	44,124	10.85%
Gaming	13,755	12,801	7.45%
Sales by company-operated quick-service restaurant	18,400	16,689	10.25%
Franchise revenues	1,947	1,797	8.32%
Rental income	10,752	9,270	16.00%
Other services	4,058	3,567	13.80%
Hotel operations	3,375	2,991	12.87%
Other services	683	576	18.62%
Share in net profits of associates and joint ventures	264	287	-7.94%
Finance and other income	3,882	2,493	55.70%
TOTAL	112,148	100,330	11.78%
COSTS AND EXPENSES			
Cost of goods sold	35,916	34,033	5.53%
Consumer goods sold	19,859	18,762	5.85%
RE sales	12,680	11,991	5.74%
Deferred gross profit on RE sales	3,377	3,280	2.95%
Cost of services	23,911	21,614	10.63%
Gaming	5,756	5,249	9.66%
Services	18,155	16,365	10.94%
Other operating expenses	24,351	20,264	20.17%
Selling and marketing	10,647	8,667	22.84%
General and administrative	13,704	11,597	18.17%
Finance costs and other charges	4,601	4,686	-1.83%
TOTAL	88,779	80,597	10.15%
TAX EXPENSE	4,726	4,571	3.38%
NET PROFIT	18,642	15,162	22.98%

Note: Numbers may not add up due to rounding.

The Group garnered P18.6 billion net profit during the first nine months of the current year, up 23% from P15.2 billion a year ago, with revenues escalating 12% to record-high P112.1 billion from P100.3 billion a year ago, as all business segments delivered double-digit revenue growths which outpaced cost-and-expenses expansion. Net profit attributable to owners soared 18% to P12.1 billion from P10.2 billion a year ago. Net profit rate improved to 17% from 15% a year ago, and net profit to owners to 11% from 10% a year ago.

Megaworld, the country's leading developer and pioneer of integrated urban townships, achieved 13% rise year-on-year in revenues, net profit and net profit attributable to its owners which were respectively reported at P41.8 billion, P11.7 billion and P11.3 billion for the first nine months of the current year. The **residential** business (real estate sales, realized gross profit and interest income on

real estate sales), which accounted for more than two-thirds of revenues, raised revenues 11% to P28.4 billion from P25.6 billion a year ago. Real estate sales went up 10% year-on-year to P23.0 billion which mostly came from the group's township projects across the country at a product mix of 57%-15%-12%-16% for Megaworld-GERI (Global-Estate Resorts, Inc.)-Empire East (Empire East Land Holdings, Inc.)-Suntrust (Suntrust Properties, Inc.) brands, the latter including 3% from Stateland. **Leasing** of office and commercial retail spaces, which accounted for 25% of current revenues, provided steady revenue stream as it continued a 19% uptrend year-on-year to P10.5 billion year-to-date, with P3.7 billion third quarter rentals climbing 23% year-on-year and 7% quarter-on-quarter. In its Lifestyle Malls, Megaworld recently opened two full-scale malls first-time in Vis-Min area, the Festive Walk Mall in Iloilo and directly connected via airconditioned bridge, the Festive Mall Annex; summing up all lifestyle malls to-date to 18. Leasable office portfolio was 1.06million sqm at end-September, and is anticipated to reach around 1.2million sqm by the end of the year. **Hotel** revenues rose 8% to hit P1.0 billion, with the expansion of homegrown hotel brands Savoy and Belmont to areas outside Metro Manila . Megaworld also announced earlier this year the 'Townships' evolution of its developments, which is a step of incorporating digital technology, design innovations, connectivity and environmental sustainability into its township developments. These operating results brought in 37% and 62% to AGI's consolidated revenues and net profit, respectively.

Emperador, the world's largest brandy company and owner of the world's 5th largest Scotch whisky manufacturer, hit a record-high P5.2 billion net profit for the first nine months of the year, for an 18% leap from P4.4 billion a year ago, on the back of higher gross profit margins of 36% as compared to 32% of previous year, on P30.5 billion revenues which grew 11% from P27.6 billion a year ago. Net profit attributable to owners closed at P5.1 billion, up 16% year-on-year. In the third quarter, net profit jumped 14% year-on-year to P2.0 billion while revenues hiked 17% to P11.0 billion at gross profit margin of 35% as compared to 31% of previous year. Net profit rates were maintained at about the same level at 17% and 18% for the nine-month periods and third quarters, respectively. The **Scotch Whisky** business, which accounted for 30% of Emperador group, reported a 14% uptick in year-to-date revenues to P9.4 billion, with net profit shooting up 59% to P1.5 billion from higher gross profit margins of 37% as compared to 28% a year ago, propelled by the single malts led by The Dalmore, followed by single malt Jura and blended Whyte&Mackay. The UK, Asia and Travel Retail were the top markets for the brands with expanding presence in Europe, North America and Latin America as well. The **Brandy** business, which accounted for 70% of the Emperador group, posted an 8% year-on-year expansion in year-to-date revenues to P21.4 billion, realizing net profit growth of 7% to P3.8 billion, with gross profit margin pegged at 35% this year compared to 33% a year ago. The brandy portfolio is fortified to sustain the present no.1 position in Spain, Mexico and the Philippines. Fundador Supremo, a super premium Brandy de Jerez, is introduced through the Travel Retail channel in Europe and Asia, and is now available in the Philippines as well. In the domestic front, focus is now on reinventing the local liquor space with initiatives geared towards increasing profitability. In mid-September this year, 'the gin for the new generation' The Bar Premium Gin was launched, infused with flavors and botanicals from the gardens of Andalusia, Spain, in Pink Berries, Green Lime and Premium Dry variants. For the first nine months of the year, Emperador group contributed 27% to AGI's consolidated revenues and 28% to consolidated net profit.

Travellers, the owner and operator of Resorts World Manila (RWM), continued its growth momentum as it attained P5.9 billion core revenues in the third quarter, up 32% year-on-year and 6% quarter-on-quarter, and P17.0 billion in the nine-month period, up 8% year-on-year, therefrom realizing P133 million and P1.8 billion net profit for the respective periods which were turnaround from comparable periods last year. **Gaming** turned over P4.7 billion revenues in the third quarter for a total of P13.8 billion year-to-date, setting 34% and 7% rise year-on-year in the respective periods, and 5% quarter-on-quarter, as volumes in both VIP and non-VIP segments improved. **Non-gaming** flourished with revenues surging 28% year-on-year and 11% quarter-on-quarter to P1.2 billion in the third quarter, and 11% year-on-year to P3.2 billion year-to-date. Total rooms at the three hotels at RWM - Maxims Hotel, Marriott Hotel Manila and Holiday Inn Express Manila Newport City - counted 1,454 with occupancy averaging 80%. In addition, Courtyard by Marriott Iloilo which opened on May 1 this year offers 326 rooms. Excitement continues with the opening of Hilton Manila Hotel in The Grand Wing on October 25, which provided 357 rooms and a 545sqm ballroom among others. Development of The Grand Wing is in full swing to be fully completed next year which will enhance

gaming area by 14,000sqm, add approximately 940 hotel rooms from three luxury hotels – Hilton Manila, Sheraton Manila, Hotel Okura Manila - and more retail space. Travellers group accounted for 17% and 10% of AGI's consolidated revenues and consolidated net profit, respectively.

GADC, the master franchise holder of McDonald's quick-service restaurants brand in the Philippines, reported P20.4 billion revenues which is 10% higher than a year ago, ending the nine-month period with net profit of P1.0 billion which 1% better year-on-year. This is achieved from the opening of new restaurants, new product launches and the promotions of core menu. Sixty-three new restaurants (forty-one in 2018) were opened while seven restaurants (four in 2018) were closed from a year ago, bringing the total count to 603 restaurants at the end of interim period as compared to 566 stores a year ago (566 at end-2017), more than half of which are operated by the company. Systemwide same-store sales grew 3.8% year-on-year. **Happy Meals** were bundled with the Justice League Action at the start of the year, followed by the Thomas & Friends and Barbie Fashionista, Hello Kitty & Yo-Kai Watch, My Little Pony & Transformers; and in the third quarter, Hotel Transylvania 3, My Melody & Choro-Q (8 toys to collect), and TY Beanie Boo's and Monster Jam (8 toys to collect). **New selections** were added in the menu during the year: Longgadesal which was introduced in March, the New Spicy Chicken McDo in April, a new and improved McSpaghetti in May, Garlic Parmesan McSpicy in September, and the relaunch of Honey Butter Shake Shake Fries and heavier-fill Mega Meals (featuring the 1-pc Chicken McDo) in September. **Convenience channels** continued to be business accelerators with biggest contribution coming from Drive-Thru. Gross profit margins were still healthy at 22% year-to-date and 20% third quarter weathering the impact of inflation. These operating results translated into 18% and 6% contribution to the consolidated revenues and net profit of AGI and subsidiaries, respectively.

Revenues for the first nine months accelerated 12% to P112.1 billion as compared to P100.3 billion a year ago, from double-digit growth in all business segments. Sales of goods (real estate, alcoholic beverages and snack products) at P59.1 billion expanded 11% compared to last year's P53.4 billion as a result of brisk sales of Megaworld's condominium units and residential lots and Emperador's Scotch Whisky and Brandy products. Service revenues (gaming, leasing, hotels, quick-service restaurants) at P48.9 billion escalated 11% compared to last year's P44.1 billion from the sprightly rental operations of Megaworld, McDonald's stores of GADC, and the gaming and non-gaming operations of RWM.

Costs and expenses amounted to P88.8 billion which is 10% higher than P80.6 billion reported a year ago. Cost of goods sold and cost of services (which are a function of sales) moved at a slower pace of 5.5% and 10.6%, respectively, to P35.9 billion and P23.9 billion, respectively. Other operating expenses increased 20% year-on-year to P24.4 billion. Emperador had higher expenses this year in advertising and promotions, salaries and employee benefits and freight and handling. Megaworld had expended more on commissions, salaries and employee benefits plus higher depreciation.

Share in net profits of associates and joint ventures went down 8% to P264 million or P23 million lower this interim period from the take-up of share in net profit of Megaworld.

Finance and other income ballooned 56% to P3.9 billion or P1.4 billion higher than P2.5 billion a year ago from interest income earned during the period bolstered by the non-operating gain reported by Travellers in the second quarter. **Finance costs and other charges**, on the other hand, slid a little bit 2% to P4.6 billion from lower interest expense.

Income tax increased 3% this year or P155 million year-on-year as the decrease in RWM taxes countered the effect of higher taxes expensed by the other businesses.

Earnings before interest, taxes, depreciation and amortizations (EBITDA), computed as net profit before income taxes, interest expense, depreciation and amortizations and impairment provisions, and non-recurring loss/gains amounted to P29.9 billion this year as compared to P27.0 billion a year ago.

Net profit attributable to owners amounted to P12.1 billion from P10.2 billion a year ago, up 18% year-on-year.

Financial Condition

Consolidated total assets amounted to P599.0 billion at end of the interim period from P561.8 billion at beginning of year. The Group is strongly liquid with **current assets** exceeding **current liabilities** 2.8times. Current assets amounted to P279.5 billion while current liabilities amounted to P100.6 billion at end of the interim period.

Cash and cash equivalents dwindled P13.3 billion or 24% ending at P42.3 billion from P55.7 billion at the beginning of the year, primarily due to capital expenditures. Cash flows from operating, financing and investing activities during the period were presented in the interim consolidated statements of cash flows.

Current trade and other receivables increased by 6% or P4.7 billion attesting to Megaworld's robust business.

Financial assets at fair value through profit or loss swelled 44% or P6.0 billion, due to additional marketable securities acquired during the year and marked-to-market valuation of financial assets.

Inventories piled up 14% or P12.9 billion due to increased fillings of Scotch whisky and Spanish brandy and to real estate for-sale inventories.

Other current assets grew 18% or P1.8 billion prepayments of Emperador, Travellers, and Megaworld.

Advances to landowners and joint ventures shrank 10% or P592 million mainly due to reclassification of account to land for future development.

Available-for-sale financial assets increased 5% or P23 million from additions to financial assets of Travellers.

Land for future development enlarged 7% or P1.8 billion from new acquisitions and reclassification from advances to landowners by Megaworld.

Investments in and advances to associates and other related parties went up 7% or P592 million mainly due to additional advances made by Megaworld to related parties.

Property, plant and equipment built up P13.6 billion or 14%, primarily from the on-going construction of Grand Wing in RWM. Three luxury hotels in RWM – Sheraton Manila Hotel, Hilton Manila and Hotel Okura Manila - are expected to be fully operational by next year and would add approximately 940 rooms, new gaming area, retail spaces, and six basement parking decks. [Hilton Manila opened in October this year.] Also, Courtyard by Marriott opened in May in Western Visayas.

Investment property rose 10% or P7.3 billion, from project cost of malls, commercial centers and office buildings intended for lease.

Non-current deferred tax assets climbed 17% or P137 million principally from temporary tax differences of MEG and GADC while **non-current deferred tax liabilities** went up 13% or P1.5 billion from temporary tax differences of MEG and EMP.

Other non-current assets increased 17% or P872 million from advances for investments by Travellers and refundable deposits by GADC.

Trade and other payables expanded 11% or P4.8 billion from obligations to suppliers and contractors by MEG and Travellers; accrued advertising and statutory payables of GADC; and liabilities on unredeemed gaming points and gaming chips.

Current interest-bearing loans decelerated 15% or P4.8 billion due to payments made during the year. **Non-current interest-bearing loans** accelerated 18% or P19.6 billion mainly due to additional loans taken during the year.

Current bonds payable was closed at end-period as Megaworld settled it during the interim period.

Income tax payable increased 11% or P106 million due to timing of payments and tax credits.

Other current liabilities dipped 6% or P1.3 billion primarily from MEG's customer deposits and other liabilities.

Non-current advances from related parties went up 7% or P157 million due to advances made to Megaworld during the interim period.

Retirement benefit obligation plummeted 55% or P1.1 billion from the actuarial gains booked in UK in the interim period.

The **changes in equity components** are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners of AGI increased 7% or P11.8 billion from net profit share less cost of treasury shares during the interim period. Non-controlling interest grew 13% or P14.1 billion, primarily from the issuance of Megaworld perpetual bonds and net profit share for the interim period.

Liquidity and Capital Resources

The consolidated statements of financial position showed strong liquidity with current assets exceeding current liabilities 2.8times. Total-liabilities-to-equity ratio is at 1:1 while interest-bearing-debt-to-equity stands at 0.6:1. Assets exceeded liabilities 2times, and equity 2times as well.

In general, working capital was sourced internally from operations and debts during the period. The Group may also from time to time seek other sources of funding, if necessary, depending on its financing needs and market conditions.

<i>Amounts in Million Pesos</i>	<u>30-Sep-18</u>	<u>31-Dec-17</u>
Cash and equivalents	42,340	55,673
FVTPL/AFS financial assets	<u>19,931</u>	<u>13,948</u>
Total Available	62,271	69,621
Interest-bearing debt –current	27,917	42,677
Interest-bearing debt- noncurrent	153,392	132,662
Equity-linked securities- non- current*	<u>5,220</u>	<u>5,227</u>
Total Debt	186,529	180,566
Net cash (debt)	-124,258	-110,945
Available Cash and financial assets to interest-bearing debt	33%	39%
Interest-bearing debt to total equity	63%	66%

*Presented under Other Non-current liabilities

Prospects for the future

AGI has a proven track record of creating value over time and is confident in its ability to deliver sustainable profitable growth and value for its stakeholders. AGI remains vigilant on delivering its business goals and intends to continue to adopt prudent measures to ensure financial sustainability. It recognizes the various opportunities that will enhance the overall profitability of the group while maintaining established products and markets.

Emperor is best positioned to capitalize on premiumization opportunities, with its much bigger product portfolio and inventory of high quality brandy and Scotch whisky and greater global reach. The group is looking forward into an exciting integration and focusing on profitability.

Megaworld has a strong roster of townships nationwide that are backed by adequate land banking and carefully-thought masterplans. Its aggressive thrust to grow its investment properties has resulted in increased recurring income stream. It continues to innovate its real estate development as it introduced the 'integrated lifestyle community' and the 'Township' concepts. It intends to acquire more land and other investment properties.

Travellers sees a lot of potential for further growth, as it continues to expand its non-gaming facilities and offerings. It is looking forward to the completion of its Grand Wing in RWM which should boost its hotel and overall gaming capacity.

GADC aims to sustain its business momentum as it targets more new store openings with continuous focus on operational excellence leveraging on its taste heritage and innovative concepts, espousing the role of family and community in delivering business while exemplifying good corporate citizenship. One major thrust is to provide a better customer experience with McDonald's NXT GEN stores.

The Group is optimistic about its infrastructure pursuit in line with the government's aggressive push for infrastructure developments.

Others

There were no known material events subsequent to the end of the interim period that would have a material impact in the interim period.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. The Company does not have nor anticipate having any cash flow or liquidity problems within the year. AGI and its subsidiaries are not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Company, including any default or acceleration of an obligation. There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other 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. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

There were no other material issuances, repurchases or repayments of debt and equity securities.

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

SIGNATURE

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

Alliance Global Group, Inc.

Issuer

By:



DINA D.R. INTING
*Chief Financial Officer/
Corporate Information Officer/
Principal Accounting Officer*
November 12, 2018

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
September 30, 2018

	9/30/18	12/31/17
Current ratio	2.78	2.40
Quick ratio	1.39	1.28
Liabilities-to-equity ratio	1.01	1.07
Interest-bearing debt to total equity	0.63	0.66
Asset-to-equity ratio	2.01	2.07
		9/30/17
Interest rate coverage ratio	860%	573%
Net profit margin	16.62%	15.11%
Return on assets	3.11%	2.78%
Return on equity/investment	6.26%	5.81%
Return on equity/investment of owners	6.92%	6.48%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.

Current ratio - computed as current assets divided by current liabilities

Quick ratio - computed as cash, marketable securities, accounts receivable divided by current liabilities.

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.

Liabilities-to-equity ratio - computed as total liabilities divided by stockholders' equity.

Interest-bearing debt to total capitalization ratio - computed as interest-bearing debt divided by interest-bearing debt + stockholder's equity attributable to controlling interest

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders' equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as profit before income tax and interest expense ("EBIT") divided by interest.

In the computation, non-recurring gain is excluded from EBIT.

PROFITABILITY RATIOS

Net margin - computed as net profit divided by revenues

Return on assets - net profit divided by total assets

Return on investment - net profit divided by total stockholders' equity

Return on investment of equity owners - net profit divided by equity attributable to owners of the parent company

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND DECEMBER 31, 2017
(Amounts in Philippine Pesos)

	<u>September 30, 2018</u> <u>(UNAUDITED)</u>	<u>December 31, 2017</u> <u>(AUDITED)</u>
<u>A S S E T S</u>		
CURRENT ASSETS		
Cash and cash equivalents	P 42,340,111,945	P 55,672,960,546
Trade and other receivables - net	78,472,138,304	73,812,169,152
Financial assets at fair value through profit or loss	19,475,953,099	13,516,474,011
Inventories - net	104,518,407,108	91,579,134,140
Property development costs	22,705,968,526	23,111,103,124
Other current assets	<u>12,012,921,726</u>	<u>10,213,596,675</u>
 Total Current Assets	 <u>279,525,500,708</u>	 <u>267,905,437,648</u>
NON-CURRENT ASSETS		
Trade and other receivables - net	34,858,253,334	34,775,424,756
Advances to landowners and joint ventures	5,397,312,842	5,988,892,593
Available-for-sale financial assets - net	454,841,354	431,645,289
Land for future development	27,259,991,790	25,469,878,369
Investments in and advances to associates and other related parties	9,257,349,680	8,665,615,820
Property, plant and equipment - net	111,654,435,906	98,026,484,627
Investment property - net	80,275,012,916	72,999,467,061
Intangible assets - net	43,372,443,949	41,637,659,271
Deferred tax assets - net	938,102,556	800,928,952
Other non-current assets	<u>5,992,528,101</u>	<u>5,120,358,496</u>
 Total Non-current Assets	 <u>319,460,272,428</u>	 <u>293,916,355,234</u>
 TOTAL ASSETS	 <u>P 598,985,773,136</u>	 <u>P 561,821,792,882</u>

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	<u>September 30, 2018</u> <u>(UNAUDITED)</u>	<u>December 31, 2017</u> <u>(AUDITED)</u>
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Trade and other payables	P 50,494,514,338	P 45,648,707,657
Interest-bearing loans	27,917,439,059	32,700,476,157
Income tax payable	1,064,690,656	959,058,840
Redeemable preferred shares	251,597,580	251,597,580
Other current liabilities	20,861,151,906	22,178,277,568
Bonds payable	-	9,976,270,876
	<u>100,589,393,539</u>	<u>111,714,388,678</u>
Total Current Liabilities		
NON-CURRENT LIABILITIES		
Interest-bearing loans	127,913,449,172	108,273,087,030
Bonds payable	25,478,778,938	24,388,714,176
Advances from related parties	2,487,226,834	2,329,974,989
Retirement benefit obligation	880,191,179	1,943,453,287
Redeemable preferred shares	1,936,508,114	1,857,022,803
Deferred tax liabilities - net	13,652,159,572	12,116,387,446
Other non-current liabilities	28,287,209,632	27,356,716,682
	<u>200,635,523,441</u>	<u>178,265,356,413</u>
Total Non-current Liabilities		
Total Liabilities	<u>301,224,916,980</u>	<u>289,979,745,091</u>
EQUITY		
Equity attributable to owners of the parent company	174,380,540,944	162,574,974,361
Non-controlling interest	123,380,315,212	109,267,073,430
	<u>297,760,856,156</u>	<u>271,842,047,791</u>
Total Equity		
TOTAL LIABILITIES AND EQUITY	P 598,985,773,136	P 561,821,792,882

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

	2018		2017	
	Year-to-Date	Quarter	Year-to-Date	Quarter
REVENUES				
Sale of goods	P 59,089,187,427	P 21,134,331,954	P 53,425,636,865	P 18,319,475,250
Rendering of services	48,912,346,483	16,797,450,951	44,123,251,882	14,208,029,848
Share in net profits of associates and joint ventures - net	263,803,532	116,483,661	286,545,050	151,755,704
Finance and other income	3,882,233,375	939,599,567	2,493,436,684	806,483,664
	<u>112,147,570,817</u>	<u>38,987,866,133</u>	<u>100,328,870,481</u>	<u>33,485,744,466</u>
COSTS AND EXPENSES				
Cost of goods sold	35,916,221,936	13,083,825,365	34,033,963,888	11,848,686,364
Cost of services	23,911,328,364	8,323,509,747	21,613,987,526	7,027,337,322
Other operating expenses	24,351,053,525	8,989,645,283	20,264,043,325	6,598,000,787
Finance costs and other charges	4,600,476,727	1,353,416,542	4,686,094,809	1,490,060,247
	<u>88,779,080,552</u>	<u>31,750,396,937</u>	<u>80,598,089,548</u>	<u>26,964,084,720</u>
PROFIT BEFORE TAX	23,368,490,265	7,237,469,196	19,730,780,933	6,521,659,746
TAX EXPENSE	4,726,017,258	1,025,769,976	4,571,400,117	1,446,088,382
NET PROFIT	<u>18,642,473,007</u>	<u>6,211,699,220</u>	<u>15,159,380,816</u>	<u>5,075,571,364</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains on remeasurement of retirement benefit obligation	712,169,050	169,423,750	323,075,840	(21,701,637)
Items that will be reclassified subsequently to profit or loss				
Translation adjustments	2,172,261,152	475,667,030	(661,275,280)	(463,453,524)
Net unrealized fair value gain on cash flow hedge	216,331,383	39,211,580	-	-
Net unrealized fair value gains (losses) on available-for-sale financial assets	(64,584,856)	(134,531)	382,972,109	354,745,835
	<u>2,324,007,679</u>	<u>514,744,079</u>	<u>(278,303,171)</u>	<u>(108,707,689)</u>
TOTAL COMPREHENSIVE INCOME	<u>P 21,678,649,736</u>	<u>P 6,895,867,049</u>	<u>P 15,204,153,485</u>	<u>P 4,945,162,038</u>
Net profit attributable to:				
Owners of the parent company	P 12,063,624,142	P 4,206,748,579	P 10,181,009,436	P 3,461,581,443
Non-controlling interest	6,578,848,865	2,004,950,641	4,978,371,380	1,613,989,921
	<u>P 18,642,473,007</u>	<u>P 6,211,699,220</u>	<u>P 15,159,380,816</u>	<u>P 5,075,571,364</u>
Total comprehensive income attributable to:				
Owners of the parent company	P 14,119,417,364	P 4,594,692,242	P 10,065,982,291	P 3,291,586,164
Non-controlling interest	7,559,232,372	2,301,174,807	5,138,171,194	1,653,575,874
	<u>P 21,678,649,736</u>	<u>P 6,895,867,049</u>	<u>P 15,204,153,485</u>	<u>P 4,945,162,038</u>
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company:				
Basic	P 1.2139	P 0.4233	P 1.0041	P 0.3414
Diluted	P 1.2118	P 0.4226	P 0.9938	P 0.3379

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

	Attributable to Owners of the Parent Company														
	Capital Stock	Additional Paid-in Capital	Treasury Shares – at cost	Net Actuarial Losses on Retirement Benefit Plan	Net Fair Value Gains (Losses) on Available-for-Sale Financial Assets	Accumulated Translation Adjustments	Revaluation Reserves on Cash Flow Hedge	Dilution Gain	Share Options	Other Reserves	Retained Earnings			Noncontrolling Interest	Total Equity
											Appropriated	Unappropriated	Total		
Balance at January 1, 2018	P 10,269,827,979	P 34,395,380,979	(P 1,566,146,040)	(P 36,537,800)	P 199,947,413	(P 3,761,144,930)	(P 30,896,586)	P 20,039,138,973	P 744,676,052	P -	P 2,748,722,000	P 99,572,006,321	P 162,574,974,361	P 109,267,073,430	P 271,842,047,791
Transactions with owners:															
Acquisition of treasury shares	-	-	(2,296,826,041)	-	-	-	-	-	-	-	-	-	(2,296,826,041)	-	(2,296,826,041)
Share-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	17,446,997	17,446,997
Addition from acquired subsidiary	-	-	-	-	-	-	-	-	-	-	-	(148,405)	(148,405)	21,609,626	21,609,626
Change in percentage ownership	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,429,934,208)	(2,429,934,208)
Dividend from investee	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,290,284,987)	(1,290,284,987)
Issuance of Perpetual Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	10,237,898,577	10,237,898,577
Redemption of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,873,000)	(2,873,000)
	-	-	(2,296,826,041)	-	-	-	-	-	-	-	-	(148,405)	(2,296,974,446)	6,554,009,410	4,257,034,964
Reclassification Adjustment	-	-	-	-	-	-	-	-	-	9,689,175	-	(9,689,175)	-	-	-
Additions during the period	-	-	-	-	-	-	-	-	-	44,447,025	-	-	44,447,025	-	44,447,025
Deductions during the period	-	-	-	-	-	-	-	-	-	(61,323,360)	-	-	(61,323,360)	-	(61,323,360)
Total comprehensive income	-	-	-	588,536,303	(95,227,999)	1,417,001,863	145,482,855	-	-	-	-	12,063,624,142	14,119,417,364	7,559,232,372	21,678,649,736
Balance at September 30, 2018	P 10,269,827,979	P 34,395,380,979	(P 3,862,972,081)	P 551,998,703	P 104,719,414	(P 2,344,143,067)	P 114,586,269	P 20,039,138,973	P 744,676,052	(P 7,187,160)	P 2,748,722,000	P 111,625,792,883	P 174,380,540,944	P 123,380,315,212	P 297,760,856,156
Balance at January 1, 2017	P 10,269,827,979	P 34,395,380,979	(P 936,157,074)	(P 585,429,112)	P 477,744,138	(P 4,595,890,425)	p -	P 19,980,402,684	P 744,676,052	P -	P 2,532,837,400	P 84,856,758,645	147,140,151,266	P 98,963,520,182	246,103,671,448
Transactions with owners:															
Acquisition of treasury shares	-	-	(128,803,040)	-	-	-	-	-	-	-	-	-	(128,803,040)	-	(128,803,040)
Share-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	9,347,818	9,347,818
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	1,330,339,544	1,330,339,544
Change in percentage ownership	-	-	-	-	-	-	-	-	-	-	-	-	-	(129,785,266)	(129,785,266)
Dividends from Investees	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,412,917,918)	(1,412,917,918)
Redemption of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,873,000)	(2,873,000)
	-	-	(128,803,040)	-	-	-	-	-	-	-	-	-	(128,803,040)	(205,890,822)	(334,693,862)
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	-	1,996,387,400	(1,996,387,400)	-	-	-
Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	(2,084,587,400)	2,084,587,400	-	-	-
Total comprehensive income	-	-	-	264,093,945	159,426,793	(538,547,883)	-	-	-	-	-	10,181,009,436	10,065,982,291	5,138,171,194	15,204,153,485
Balance at September 30, 2017	P 10,269,827,979	P 34,395,380,979	(P 1,064,960,114)	(P 321,335,167)	P 637,170,931	(P 5,134,438,308)	P -	P 19,980,402,684	P 744,676,052	P -	P 2,444,637,400	P 95,125,968,081	P 157,077,330,517	P 103,895,800,554	P 260,973,131,071

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 23,368,490,265	P 19,730,780,933
Adjustments for:		
Depreciation and amortization	4,953,703,238	4,216,094,440
Interest expense	2,881,861,203	4,175,656,845
Interest income	(1,611,783,933)	(1,401,230,904)
Unrealized foreign currency losses - net	984,220,037	489,002,756
Share in net profits of associates and joint ventures	(263,803,532)	(286,545,050)
Loss (gain) on disposal of property, plant and equipment and investment property	(58,367,377)	3,352,867
Dividend income	(53,933,494)	(34,097,384)
Fair value losses - net	36,594,940	16,814,994
Stock option benefit expense	17,446,997	9,347,818
Losses from property damages	-	320,721,519
Gain on reversal of impairment losses	-	(48,153,634)
Unrealized loss on interest rate swap	-	24,245,643
Gain on sale of investment in available-for-sale financial assets	-	(23,652,051)
Operating profit before working capital changes	30,254,428,344	27,192,338,792
Increase in trade and other receivables	(2,733,370,245)	(7,315,473,835)
Increase in financial assets at fair value through profit or loss	(5,308,067,250)	(772,130,162)
Increase in inventories	(8,197,597,880)	(5,360,912,776)
Increase in trade and other payables	4,473,884,644	1,637,847,064
Increase in property development costs	(4,291,815,184)	(1,370,450,567)
Increase in other current assets	(2,069,832,523)	(2,607,292,575)
Decrease in retirement benefit obligation	(180,288,660)	(157,347,760)
Increase (decrease) in other current liabilities	(672,872,586)	629,552,964
Increase in other non-current liabilities	590,116,746	2,342,155,657
Cash generated from operations	11,864,585,406	14,218,286,802
Cash paid for taxes	(2,948,644,482)	(3,676,959,163)
Net Cash From Operating Activities	8,915,940,924	10,541,327,639
 <i>Balance carried forward</i>	P 8,915,940,924	P 10,541,327,639

	<u>2018</u>	<u>2017</u>
<i>Balance brought forward</i>	P 8,915,940,924	P 10,541,327,639
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment and investment property	(18,839,128,547)	(19,827,943,279)
Subsidiaries, associates and business units	(2,880,776,613)	(213,859,494)
Land for future development	(1,668,640,093)	(469,559,596)
Intangible assets	(48,785,174)	-
Interest received	1,127,601,228	1,007,019,120
Increase in other non-current assets	(977,039,091)	(629,698,155)
Proceeds from:		
Disposal of property, plant and equipment and investment property	403,609,916	1,356,782,363
Collections of advances from associates and other related parties	1,168,970	235,588,030
Sale of available-for-sale financial assets	-	274,366,330
Additional advances granted to associates	(355,789,071)	(304,724,710)
Cash dividends received	150,961,842	108,384,284
Collection from (advances to) landowners, joint ventures and other related parties	<u>29,112,507</u>	<u>(170,517,190)</u>
Net Cash Used in Investing Activities	<u>(23,057,198,093)</u>	<u>(18,634,162,297)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from interest-bearing loans and bonds	19,521,078,914	66,432,668,214
Payment of interest-bearing loans and bonds	(18,802,172,260)	(34,187,380,421)
Proceeds from issuance of perpetual bonds	10,237,898,577	-
Interest paid	(5,768,003,533)	(5,682,411,118)
Acquisition of treasury shares	(2,296,826,041)	(128,803,040)
Dividends paid	(1,290,284,987)	(866,705,114)
Buyback of shares from non-controlling interest by a subsidiary	(1,131,422,794)	(114,319,833)
Advances collected and received from related parties	368,176,728	815,971,684
Advances granted and paid to related parties	(214,500,549)	(108,607,836)
Redemption of preferred shares	(2,875,000)	(2,875,000)
Payments of derivative liabilities	<u>-</u>	<u>(177,052,688)</u>
Net Cash From Financing Activities	<u>621,069,055</u>	<u>25,980,484,848</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,520,188,114)	17,887,650,190
CASH AND CASH EQUIVALENTS OF NEW SUBSIDIARY	187,339,513	4,014,630
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>55,672,960,546</u>	<u>48,672,938,017</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 42,340,111,945	P 66,564,602,837

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash activities which are not reflected in the cash flows, including the following: (a) exchanges or purchases or sale on account of real estate and other assets that remain unpaid at end of period; (b) reclassifications or transfers of property as it goes through its various stages of development, such as incurred costs from Land for Future Development to Property Development Costs or to Investment Property or to Inventories; (c) borrowing costs capitalized under Property Development Costs or Construction in Progress; (d) prior period's deposits applied during the period.

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(With Comparative Figures as of December 31, 2017)
(Amounts in Philippine Pesos)
(Unaudited)

1. CORPORATE INFORMATION

Alliance Global Group, Inc. (the Company, Parent Company, or AGI) was registered with the Philippine Securities and Exchange Commission (SEC) on October 12, 1993 and began operations in 1994 as a glass-container manufacturer. On March 12, 1999, it obtained approval from the SEC to broaden its primary business into that of a holding company. Given a wider scope of business, AGI immediately diversified its investment holdings and on April 19, 1999, AGI listed its shares in the Philippine Stock Exchange (PSE). Currently, the Company and its subsidiaries, associates and joint ventures (collectively referred to as the Group) operate businesses in real estate development, tourism-entertainment and gaming, food and beverage, and quick-service restaurant under the following entities (see Note 4):

Subsidiaries/Associates/Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI	
			September 2018	December 2017
Subsidiaries				
Megaworld and subsidiaries				
Megaworld Corporation	Megaworld	(a)	67%	67%
Megaworld Resort Estates, Inc.		(b)	83%	83%
Townsquare Development, Inc.			50%	50%
Golden Panda-ATI Realty Corporation			50%	50%
Prestige Hotels and Resorts, Inc.			67%	67%
Richmonde Hotel Group International Ltd.		(c)	67%	67%
Eastwood Cyber One Corporation			67%	67%
Megaworld Cebu Properties, Inc.			67%	67%
Megaworld Newport Property Holdings, Inc.			67%	67%
Oceantown Properties, Inc.			67%	67%
Luxury Global Hotels and Leisures, Inc.			67%	67%
Arcovia Properties, Inc.			67%	67%
Mactan Oceanview Properties and Holdings, Inc.		(d)	67%	67%
Megaworld Cayman Islands, Inc.		(e), (d)	67%	67%
Piedmont Property Ventures, Inc.		(d)	67%	67%
Stonehaven Land, Inc.		(d)	67%	67%
Streamwood Property, Inc.		(d)	67%	67%
Global One Integrated Business Services, Inc.			67%	67%
Luxury Global Malls, Inc.			67%	67%
Davao Park District Holdings Inc.			67%	67%
Belmont Newport Luxury Hotels, Inc.			67%	67%
Global One Hotel Group, Inc.			67%	67%
Landmark Seaside Properties, Inc.			67%	67%
San Vicente Coast, Inc.		(d)	67%	67%
Savoy Hotel Manila, Inc.		(f)	67%	-
Megaworld Land, Inc.			67%	67%
Citywalk Building Administration, Inc.			67%	67%
Forbestown Commercial Center Administration, Inc.			67%	67%
Paseo Center Building Administration, Inc.			67%	67%
Uptown Commercial Center Administration, Inc.			67%	67%

Subsidiaries/Associates/Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI	
			September 2018	December 2017
Subsidiaries				
Megaworld and subsidiaries				
Ilo-ilo Center Mall Administration, Inc.			67%	67%
Newtown Commercial Center Administration, Inc.			67%	67%
Valley Peaks Property Management, Inc.			67%	67%
San Lorenzo Place Commercial Center Administration Inc.			67%	67%
Southwoods Lifestyle Mall Management, Inc.		(f)	67%	-
Suntrust Properties, Inc.			67%	67%
Suntrust Ecotown Developers, Inc.			67%	67%
Governor's Hills Science School, Inc.			67%	67%
Sunrays Properties Management, Inc.			67%	67%
Suntrust One Shanata, Inc.		(d)	67%	67%
Suntrust Two Shanata, Inc.		(d)	67%	67%
Stateland, Inc.		(f)	65%	-
Megaworld Bacolod Properties, Inc.			62%	62%
Manila Bayshore Property Holdings, Inc.		(g)	57%	57%
Global-Estate Resorts, Inc.	GERI	(h)	55%	55%
Southwoods Mall Inc.			61%	61%
Megaworld Global-Estate, Inc.		(i)	60%	60%
Twin Lakes Corp.	TLC	(j)	61%	56%
Fil-Estate Properties, Inc.			55%	55%
Aklan Holdings Inc.		(d)	55%	55%
Blu Sky Airways, Inc.		(d)	55%	55%
Fil-Estate Subic Development Corp.		(d)	55%	55%
Fil-Power Construction Equipment Leasing Corp.		(d)	55%	55%
Golden Sun Airways, Inc.		(d)	55%	55%
La Compañía De Sta. Barbara, Inc.			55%	55%
MCX Corporation		(d)	55%	55%
Pioneer L-5 Realty Corp.		(d)	55%	55%
Prime Airways, Inc.		(d)	55%	55%
Sto. Domingo Place Development Corp.		(d)	55%	55%
Fil-Power Concrete Blocks Corp.		(d)	55%	55%
Fil-Estate Industrial Park, Inc.		(d)	44%	44%
Sherwood Hills Development Inc.			30%	30%
Fil-Estate Golf and Development, Inc.			55%	55%
Golforce, Inc.			55%	55%
Southwoods Ecocentrum Corp.			33%	33%
Philippine Aquatic Leisure Corp.		(d)	33%	33%
Fil-Estate Urban Development Corp.			55%	55%
Novo Sierra Holdings Corp.		(d)	55%	55%
Global Homes and Communities, Inc.		(d)	55%	55%
Oceanfront Properties, Inc.			28%	28%
Empire East Land Holdings, Inc.	EELHI		55%	55%
Eastwood Property Holdings, Inc.			55%	55%
Valle Verde Properties Inc.		(d)	55%	55%
Sherman Oak Holdings, Inc.		(d)	55%	55%
Empire East Communities, Inc.		(d)	55%	55%
20th Century Nylon Shirt, Inc.		(d)	55%	55%
Laguna Bel-Air School, Inc.			40%	40%
Sonoma Premiere Land, Inc.		(k), (d)	73%	73%
Megaworld Central Properties, Inc.			51%	51%
Megaworld Capital Town Inc.			51%	51%
Soho Cafe and Restaurant Group, Inc.			50%	50%
La Fuerza, Inc.			45%	45%
Megaworld-Daewoo Corporation			40%	40%
Northwin Properties, Inc.		(d)	40%	40%
Gilmore Property Marketing Associates Inc.		(d)	35%	35%
Megaworld Globus Asia, Inc.			34%	34%
Integrated Town Management Corporation			34%	34%
Maple Grove Land, Inc.		(d)	34%	34%

Subsidiaries/Associates/Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI	
			September 2018	December 2017
Subsidiaries				
Emperador and subsidiaries				
Emperador Inc.	EMP or Emperador		82%	82%
Emperador Distillers, Inc.	EDI		82%	82%
Alcazar De Bana Holdings Company, Inc.			82%	82%
ProGreen AgriCorp, Inc.			82%	82%
South Point Science Park, Inc.			82%	82%
Anglo Watsons Glass, Inc.			82%	82%
Cocos Vodka Distillers Philippines, Inc.			82%	82%
The Bar Beverage, Inc.			82%	82%
Tradewind Estates, Inc.			82%	82%
BoozyLife, Inc.		(f)	42%	-
Zabana Rum, Inc.			82%	82%
Emperador International Ltd.	EIL	(c)	82%	82%
Emperador Europe SARL	EES	(l)	82%	82%
Emperador Asia Pte Ltd.	EA	(l)	82%	82%
Grupo Emperador Spain, S.A.U.	GES	(l)	82%	82%
Bodega San Bruno, S.L.	BSB	(l)	82%	82%
Bodegas Fundador SLU	BFS	(l)	82%	82%
Destilados de la Mancha S.L.			82%	82%
Complejo Bodeguero San Patricio, SLU	CBSP	(l)	82%	82%
Emperador Gestion S.L.	GEG	(l)	82%	82%
Domecq Bodega Las Copas, S.L.	DBLC	(m)	41%	41%
Pedro Domecq S.A. de C.V.	PDSC	(m)	41%	41%
Bodega Domecq S.A. de C.V.	BDSC	(m)	41%	41%
Gonzales Byass de Mexico S.A. de C.V.	GBMS	(m)	41%	41%
Emperador Holdings (GB) Limited	EGB	(l)	82%	82%
Emperador UK Limited	EUK	(l)	82%	82%
Whyte and Mackay Group Limited	WMG	(l)	82%	82%
Whyte and Mackay Limited	WML	(l)	82%	82%
Whyte and Mackay Warehousing Ltd.	WMWL	(l)	82%	82%
GADC and subsidiaries				
Golden Arches Development Corporation	GADC		49%	49%
Golden Arches Realty Corporation			49%	49%
Clark Mac Enterprises, Inc.			49%	49%
Advance Food Concepts Manufacturing, Inc.			49%	49%
GY Alliance Concepts, Inc.			19%	19%
Molino First Golden Foods, Inc.			26%	26%
Red Asian Food Solutions			37%	37%
Golden Laoag Foods Corporation			38%	38%
Davao City Food Industries, Inc.			37%	37%
First Golden Laoag Ventures, Inc.			34%	34%
Retiro Golden Foods, Inc.			34%	34%
McDonald's Anonas City Center			34%	34%
McDonald's Puregold Taguig			29%	29%
Golden City Food Industries, Inc.			29%	29%
McDonald's Bonifacio Global City			27%	27%
Travellers and subsidiaries				
Travellers International Hotel Group, Inc.	Travellers	(n)	47%	47%
Agile Fox Amusement and Leisure Corporation	AFALC	(d)	47%	47%
Fortune Pearl Leisure and Recreation Inc.	FPLRI	(o), (d)	47%	-
APEC Assets Limited		(c)	47%	47%
Aquamarine Delphinium Leisure and Recreation Corporation		(d)	47%	47%
Bright Pelican Leisure and Recreation, Inc.		(d)	47%	47%
Brightleisure Management, Inc.			47%	47%

Subsidiaries/Associates/Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI	
			September 2018	December 2017
Subsidiaries				
Travellers and subsidiaries				
Brilliant Apex Hotels and Leisure Corporation		(d)	47%	47%
Coral Primrose Leisure and Recreation Corporation		(d)	47%	47%
Deluxe Hotels and Recreation, Inc.		(d)	47%	47%
Entertainment City Integrated Resorts & Leisure, Inc.		(d)	47%	47%
FHTC Entertainment & Production, Inc.	FHTC		47%	47%
Golden Peak Leisure and Recreation, Inc.		(p)	47%	47%
Grand Integrated Hotels and Recreation, Inc.			47%	47%
Grandservices, Inc.			47%	47%
Grandventure Management Services, Inc.			47%	47%
Lucky Star Hotels and Recreation, Inc.		(d)	47%	47%
Lucky Panther Amusement and Leisure Corporation		(d)	47%	47%
Luminescent Vertex Hotels and Leisure Corporation		(d)	47%	47%
Magenta Centaurus Amusement and Leisure Corporation		(d)	47%	47%
Majestic Sunrise Leisure & Recreation, Inc.		(d)	47%	47%
Netdeals, Inc.	NDI	(q)	47%	47%
Newport Star Lifestyle, Inc.		(d)	47%	47%
Royal Bayshore Hotels & Amusement, Inc.		(d)	47%	47%
Sapphire Carnation Leisure and Recreation Corporation		(d)	47%	47%
Scarlet Milky Way Amusement and Leisure Corporation		(d)	47%	47%
Sparkling Summit Hotels and Leisure Corporation		(d)	47%	47%
Valiant Leopard Amusement and Leisure Corporation		(d)	47%	47%
Vermillion Triangulum Amusement and Leisure Corporation		(d)	47%	47%
Westside Theatre Inc.		(d)	47%	47%
Westside City Resorts World Inc.		(r), (d)	47%	47%
Purple Flamingos Amusement and Leisure Corporation		(d)	47%	47%
Red Falcon Amusement and Leisure Corporation		(d)	47%	47%
Corporate and Others				
Alliance Global Brands, Inc.			100%	100%
McKester Pik-nik International Limited	MPIL	(c)	100%	100%
Great American Foods, Inc.		(s)	100%	100%
New Town Land Partners, Inc.	N'TLPI		100%	100%
Alliance Global Group Cayman Islands, Inc.		(e)	100%	100%
Dew Dreams International, Inc.			100%	100%
Dew Dreams International, Ltd.		(c)	100%	100%
First Centro, Inc.	FCI		100%	100%
ERA Real Estate Exchange, Inc.			100%	100%
Oceanic Realty Group International, Inc.			100%	100%
Greenspring Investment Holdings Properties Ltd.		(c)	100%	100%
Infracorp Development, Inc.		(d)	100%	100%
Shiok Success International, Inc.			100%	100%
Shiok Success International, Ltd.		(c)	100%	100%
Boracay Newcoast Resorts, Inc.		(f)	100%	-
Travellers Group Ltd.		(c)	100%	100%
Venezia Universal Ltd.		(c)	100%	100%
Adams Properties, Inc.	Adams		60%	60%
Associates				
First Premiere Arches Restaurant Inc.			49%	49%
Bonifacio West Development Corporation			31%	31%

Subsidiaries/Associates/Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI	
			September 2018	December 2017
Associates				
Suntrust Home Developers, Inc.	SHDI		31%	31%
First Oceanic Property Management, Inc.		(p)	31%	31%
Citylink Coach Services, Inc.		(p)	31%	31%
Palm Tree Holdings and Development Corporation		(d)	27%	27%
Fil-Estate Network, Inc.			11%	11%
Fil-Estate Sales, Inc.			11%	11%
Fil-Estate Realty and Sales Associates, Inc.			11%	11%
Fil-Estate Realty Corp.			11%	11%
Pacific Coast Mega City, Inc.			11%	11%
Boracay Newcoast Hotel Group, Inc.			8%	8%
Nasugbu Properties, Inc.			8%	8%
Joint Ventures				
Front Row Theatre Management, Inc.		(t)	50%	50%
Bodegas Las Copas, S.L.	BLC	(u)	41%	41%

Explanatory notes:

- (a) AGI's effective ownership interest is derived from its 44% direct ownership, 3% direct holdings of FCI, 18% direct holdings of NTLPI and 2% holdings of other subsidiaries.
- (b) AGI and Megaworld directly owns 49% and 51%, respectively.
- (c) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands.
- (d) Subsidiaries and associate which have not yet started commercial operations as of September 30, 2018.
- (e) Foreign subsidiaries operating under the laws of the Cayman Islands.
- (f) New subsidiaries in 2018.
- (g) A subsidiary through 50/50 ownership of Travellers and Megaworld.
- (h) AGI's effective ownership interest represents its indirect holdings through Megaworld, which owns 82% of GERI.
- (i) A subsidiary through 60% and 40% direct ownership of GERI and Megaworld, respectively.
- (j) GERI subscribed to additional common shares in TLC resulting to increase in effective ownership.
- (k) A subsidiary through 60% and 40% direct ownership of EELHI and FCI, respectively.
- (l) Subsidiaries under EIL. EA is operating under the laws of Singapore while GES and its subsidiaries, BSB, BFS, GEG, CBSP and DBLC, are operating under the laws of Spain. EES is operating under the laws of Luxembourg. EGB [the ultimate United Kingdom (UK) parent] is operating under the laws of England and Wales. EUK, WMG, WML and WMWL are operating under the laws of Scotland. EA, EES and EGB are direct subsidiaries of EIL.
- (m) DBLC is operating under the laws of Spain and its subsidiaries, PDSC, BDSC and GBMS, are operating under the laws of Mexico.
- (n) Travellers' common shares are directly owned 15% by AGI, 3% by FCI, 2% by Megaworld, 46% by Adams, 24% by Genting Hongkong Limited (GHL) and 10% by the public.
- (o) A new subsidiary in 2018 through AFALC who owns 100% of FPLRI.
- (p) Subsidiaries of SHDI, an associate of Megaworld.
- (q) NDI has ceased operations as of September 30, 2018.
- (r) AGI's effective ownership is through 1% direct ownership, 45% through 95% ownership of Travellers, and 1% through ownership of other subsidiaries within the Group (i.e., FCI, Megaworld and Adams).
- (s) Foreign subsidiary of MPIL operating under the laws of United States of America.
- (t) A joint venture through FHTC.
- (u) A foreign joint venture under GES and operating under the laws of Spain.

The Company, its subsidiaries, associates and joint ventures were incorporated and operating in the Philippines, except for such foreign subsidiaries and joint venture as identified in the preceding table (see explanatory notes c, e, l, m, s and u above).

AGI's shares of stock and those of Megaworld, EMP, Travellers, GERI, EELHI and SHDI are listed in and traded through the PSE.

The principal activities of the Group are further described in Note 4.

The Company's registered office and primary place of business is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

The Board of Directors (BOD) approved on November 12, 2018, the release of the interim consolidated financial statements (ICFS) of the Group as of and for the nine months ended September 30, 2018 (including the comparative financial statements as of December 31, 2017 and for the nine months ended September 30, 2017).

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these ICFS are consistent with those applied in the audited consolidated financial statements (ACFS) as of and for the year ended December 31, 2017 except for the application of standards that became effective on January 1, 2018 (see Note 2.2).

2.1 Basis of Preparation of Interim Consolidated Financial Statements

These ICFS have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Philippine Financial Reporting Standards (PFRS), and should be read in conjunction with the Group's ACFS as of and for the year ended December 31, 2017.

The ICFS are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the ICFS of the Group are measured using the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

The presentation of the ICFS is consistent with the most recent ACFS presentation, except for the amendments introduced by the new accounting standards mentioned in Note 2.2. The consolidated statement of comprehensive income for the nine months ended September 30, 2017 reflect certain reclassifications, which have no effect on previously reported net profit, to conform with the current period presentation.

The Group presents all items of income and expense in a single consolidated statement of comprehensive income.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2018 that are Relevant to the Group

In 2018, the Group adopted for the first time the following new PFRS, amendments, interpretation and annual improvements to existing standards that are relevant to the Group and effective for financial statements with annual periods beginning on or after January 1, 2018.

PAS 40 (Amendment)	:	Investment Property – Reclassification to and from Investment Property
PFRS 2 (Amendments)	:	Classification and Measurement of Share-based Payment
Reporting Interpretations Committee (IFRIC) 22	:	International Financial Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration
Annual Improvements	:	Annual Improvements to PFRS (2014 – 2016 cycle)

PFRS 9 (2014), *Financial Instruments*, and PFRS 15, *Revenue from Contracts with Customers*, are effective for financial statements with annual periods beginning on or after January 1, 2018.

(b) *Effective Subsequent to 2018 but are not Adopted Early*

There are new PFRS, amendments, interpretation and annual improvements to existing standards effective for annual periods subsequent to 2018, which are adopted by the Financial Reporting Standards Council. Management will adopt the following relevant pronouncements in accordance with their transitional provisions:

PAS 28	:	Investment in Associates – Long-term Interest in Associates and Joint Venture
PFRS 9 (Amendment)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
IFRIC 23	:	Uncertainty over Income Tax Treatments
PFRS 10 and PAS 28 (Amendments)	:	Consolidated Financial Statements, and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture
Annual Improvements	:	Annual Improvements to PFRS (2015 – 2017 cycle)

Management is currently assessing the impact of these standards and interpretation on the Group's consolidated financial statements and it will conduct a comprehensive study of the potential impact of these standards prior to their mandatory adoption date to assess the impact of all changes.

3. JUDGMENTS AND ESTIMATES

The preparation of the Group's ICFS in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the policies applied and amounts reported in the ICFS and related explanatory notes. Judgments and estimates are based on historical experience and management's best knowledge of current events and actions, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates. There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

The judgments, estimates and assumptions applied in the ICFS, including the key sources of estimation uncertainty, were the same as those applied in the ACFS for the year ended December 31, 2017.

4. SEGMENT INFORMATION

4.1 *Business Segments*

The Group is organized into major business segments, which are the major subsidiaries of the Group. These represent the main products and services provided by the Group and the line of business in which the Group operates. Presented below is the basis of the Group in reporting its primary segment information.

- (a) The *Megaworld* segment consists of development of real estate, integrated resorts, leasing of properties and hotel operations business which is primarily undertaken by Megaworld Corporation and subsidiaries, the Group's forerunner in the real estate industry.
- (b) The *Emperador* segment refers to the manufacture and distribution of distilled spirits, including the production of glass containers, which is undertaken by Emperador Inc. and subsidiaries.
- (c) The *Travellers* segment relates to tourism-oriented business that integrates entertainment, hospitality and leisure, including gaming, as that of Resorts World Manila, which is operated by Travellers International Hotel Group, Inc. and subsidiaries.
- (d) The *GADC* segment refers to operations of McDonald's restaurants in the Philippines in accordance with the franchise agreement between GADC and McDonald's Corporation, USA.

4.2 *Segment Assets and Liabilities*

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment, intangible assets and investment properties. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and bonds payable.

4.3 *Intersegment Transactions*

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for nine months ended September 30, 2018 and 2017.

	For nine months ended September 30, 2018 (Unaudited)				
	<u>Megaworld</u>	<u>Travellers</u>	<u>GADC</u>	<u>Emperador</u>	<u>Total</u>
REVENUES					
Sales to external customers	P 39,987,357,906	P 16,953,627,032	P 20,346,948,892	P 29,811,229,292	P 107,099,163,122
Intersegment sales	112,794,229	47,242,275	-	-	160,036,504
Finance and other revenues	<u>1,655,871,989</u>	<u>1,585,509,682</u>	<u>111,630,398</u>	<u>581,244,463</u>	<u>3,934,256,532</u>
Segment revenues	41,756,024,124	18,586,378,989	20,458,579,290	30,392,473,755	111,193,456,158
Cost of sales and expenses excluding depreciation and amortization	(<u>22,290,323,395</u>)	(<u>15,136,225,844</u>)	(<u>17,911,132,342</u>)	(<u>23,062,184,939</u>)	(<u>78,399,866,520</u>)
	19,465,700,729	3,450,153,145	2,547,446,948	7,330,288,816	32,793,589,638
Depreciation and amortization	(1,613,199,521)	(1,586,159,455)	(872,092,113)	(839,657,768)	(4,911,108,857)
Finance cost and other charges	(<u>2,643,711,682</u>)	<u>22,434,558</u>	(<u>138,419,866</u>)	(<u>427,810,837</u>)	(<u>3,187,507,827</u>)
Profit before tax	15,208,789,526	1,886,428,248	1,536,934,969	6,062,820,211	24,694,972,954
Tax expense	(<u>3,379,159,536</u>)	(<u>37,635,247</u>)	(<u>484,929,177</u>)	(<u>789,106,144</u>)	(<u>4,690,830,104</u>)
SEGMENT PROFIT	<u>P 11,829,629,990</u>	<u>P 1,848,793,001</u>	<u>P 1,052,005,792</u>	<u>P 5,273,714,067</u>	<u>P 20,004,142,850</u>
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 330,608,207,539	P 95,806,139,101	P 18,015,659,940	P 117,070,625,646	P 561,500,632,226
Segment liabilities	134,189,528,862	52,206,932,398	10,710,521,610	52,433,173,649	249,540,156,519

	For nine months ended September 30, 2017 (Unaudited)				
	<u>Megaworld</u>	<u>Travellers</u>	<u>GADC</u>	<u>Emperador</u>	<u>Total</u>
REVENUES					
Sales to external customers	P 35,578,080,115	P 15,701,035,012	P 18,486,693,363	P 26,991,362,029	P 96,757,170,519
Intersegment sales	52,966,723	(10,150,507)	-	-	42,816,216
Finance and other revenues	<u>893,469,282</u>	<u>55,916,070</u>	<u>195,782,179</u>	<u>476,186,000</u>	<u>1,621,353,531</u>
Segment revenues	36,524,516,120	15,746,800,575	18,682,475,542	27,467,548,029	98,421,340,266
Cost of sales and expenses excluding depreciation and amortization	(<u>20,608,983,035</u>)	(<u>13,082,878,132</u>)	(<u>16,271,538,528</u>)	(<u>21,100,714,498</u>)	(<u>71,064,114,193</u>)
	15,915,533,085	2,663,922,443	2,410,937,014	6,366,833,531	27,357,226,073
Depreciation and amortization	(1,307,485,117)	(1,428,869,548)	(822,367,421)	(568,286,450)	(4,127,008,536)
Finance cost and other charges	(<u>1,257,601,817</u>)	(<u>1,014,458,450</u>)	(<u>136,711,968</u>)	(<u>492,406,871</u>)	(<u>2,908,179,106</u>)
Profit before tax	13,350,446,151	220,594,445	1,451,857,625	5,299,140,210	20,322,038,431
Tax expense	(<u>3,012,566,240</u>)	(<u>228,161,625</u>)	(<u>475,053,955</u>)	(<u>831,011,513</u>)	(<u>4,546,793,333</u>)
SEGMENT PROFIT (LOSS)	<u>P 10,337,879,911</u>	<u>(P 7,567,180)</u>	<u>P 976,803,670</u>	<u>P 4,468,128,697</u>	<u>P 15,775,245,098</u>

The following presents the segment assets and liabilities of the Group as of December 31, 2017 (audited):

SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 313,882,958,265	P 84,365,114,201	P 17,013,429,201	P 110,654,016,965	P 525,915,518,632
Segment liabilities	137,948,130,312	42,186,793,445	10,242,056,765	51,114,592,291	241,491,572,813

4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its ICFS.

	September 30, 2018 <u>(Unaudited)</u>	September 30, 2017 <u>(Unaudited)</u>
Revenues		
Total segment revenues	P 111,193,456,158	P 98,421,340,266
Unallocated corporate revenue	1,114,151,163	1,950,346,431
Elimination of intersegment revenues	(160,036,504)	(42,816,216)
Revenues as reported in interim consolidated profit or loss	<u>P 112,147,570,817</u>	<u>P 100,328,870,481</u>
Profit or loss		
Segment operating profit	P 20,004,142,850	P 15,775,245,098
Unallocated corporate loss	(1,201,633,339)	(573,048,066)
Elimination of intersegment revenues	(160,036,504)	(42,816,216)
Profit as reported in interim consolidated profit or loss	<u>P 18,642,473,007</u>	<u>P 15,159,380,816</u>
	September 30, 2018 <u>(Unaudited)</u>	December 31, 2017 <u>(Audited)</u>
Assets		
Segment assets	P 561,500,632,226	P 525,915,518,632
Unallocated corporate assets	<u>37,485,140,910</u>	<u>35,906,274,250</u>
Total assets reported in the consolidated statements of financial position	<u>P 598,985,773,136</u>	<u>P 561,821,792,882</u>
Liabilities		
Segment liabilities	P 249,540,156,519	P 241,491,572,813
Unallocated corporate liabilities	<u>51,684,760,461</u>	<u>48,488,172,278</u>
Total liabilities reported in the consolidated statements of financial position	<u>P 301,224,916,980</u>	<u>P 289,979,745,091</u>

Concentration of revenue is considered when at least 10% of total segment revenue is generated from a single customer. There is no concentration of the Group's revenue in a single customer as the 10% threshold has not been met in any of the periods presented.

5. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment as of September 30, 2018 and December 31, 2017 are shown below.

	September 30, 2018 <u>(Unaudited)</u>	December 31, 2017 <u>(Audited)</u>
Cost	P 144,446,652,156	P 126,531,276,317
Accumulated depreciation, amortization and impairment	(32,792,216,250)	(28,504,791,690)
Net carrying amount	<u>P 111,654,435,906</u>	<u>P 98,026,484,627</u>

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the reporting periods is shown below.

	September 30, 2018 <u>(Unaudited)</u>	December 31, 2017 <u>(Audited)</u>
Balance at beginning of period, net of accumulated depreciation, amortization and impairment	P 98,026,484,627	P 82,993,671,075
Additions	16,356,507,027	20,446,934,673
Depreciation and amortization charges for the period	(3,730,764,901)	(4,491,766,954)
Reclassifications – net	1,309,791,758	1,533,587,085
Disposals – net	(345,242,539)	(1,869,096,966)
Additions due to acquired subsidiaries	37,659,934	5,255,192
Write-off of damaged assets	-	(652,604,324)
Reversal of impairment loss	<u>-</u>	<u>60,504,846</u>
Balance at end of period, net of accumulated depreciation, amortization and impairment	<u>P 111,654,435,906</u>	<u>P 98,026,484,627</u>

6. INVESTMENT PROPERTY

The Group's investment property includes several parcels of land, buildings and improvements which are held for investment purposes only, either to earn rental income or for capital appreciation or both. The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of the reporting periods are shown below.

	September 30, 2018 <u>(Unaudited)</u>	December 31, 2017 <u>(Audited)</u>
Cost	P 90,540,593,529	P 81,969,707,718
Accumulated depreciation	<u>(10,265,580,613)</u>	<u>(8,970,240,657)</u>
Net carrying amount	<u>P 80,275,012,916</u>	<u>P 72,999,467,061</u>

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting periods is shown below.

	<u>September 30, 2018</u> <u>(Unaudited)</u>	<u>December 31, 2017</u> <u>(Audited)</u>
Balance at beginning of period, net of accumulated depreciation	P 72,999,467,061	P 62,306,769,151
Additions	5,333,960,437	13,941,589,536
Reclassifications - net	3,247,423,862	(1,533,587,085)
Depreciation charges for the period	(1,305,332,411)	(1,546,058,978)
Disposals – net	(506,033)	(169,245,563)
Balance at end of period, net of accumulated depreciation	<u>P 80,275,012,916</u>	<u>P 72,999,467,061</u>

7. DIVIDENDS

There were no dividends declared and paid by the Company for the nine months period ended September 30, 2018 and 2017.

8. EARNINGS PER SHARE

Earnings per share is computed as follows:

	<u>September 30, 2018</u> <u>(Unaudited)</u>	<u>September 30, 2017</u> <u>(Unaudited)</u>
Basic:		
Net profit attributable to owners of the parent company	P 12,063,624,142	P 10,181,009,436
Divide by the weighted average number of outstanding common shares	<u>9,938,290,079</u>	<u>10,138,975,679</u>
	<u>P 1.2139</u>	<u>P 1.0041</u>
Diluted:		
Net profit attributable to owners of the parent company	P 12,063,624,142	P 10,181,009,436
Divide by the weighted average number of outstanding common shares and potentially dilutive shares	<u>9,955,443,020</u>	<u>10,244,575,679</u>
	<u>P 1.2118</u>	<u>P 0.9938</u>

On September 19, 2017 the BOD approved a two-year share repurchase program allowing the Company to repurchase up to P5.0 billion shares from existing stockholders. Under this program, the Company has repurchased 208,573,700 shares for P2.9 billion and 7,888,100 shares for P128.8 million as of September 30, 2018 and 2017 respectively which are reported as Treasury Shares. In addition, as of September 30, 2018 and 2017, certain subsidiaries held 122,964,200 shares which cost P936.2 million that are considered as part of Treasury Shares. Such treasury shares do not form part of outstanding common shares.

The actual number of outstanding common shares approximates the weighted average for each interim period. As of September 30, 2018, and 2017, there are 105.6 million potentially dilutive shares from the Company's Executive Stock Option Plan. However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently has no material effect on the 2018 and 2017 diluted EPS.

9. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, joint ventures, the Group's key management personnel and retirement fund, and others. The summary of the Group's transactions with its related parties for the periods ended September 30, 2018 and 2017, and the related outstanding balances as of September 30, 2018 and December 31, 2017 are as follows:

Related Party Category	Notes	Amount of Transaction		Outstanding Balance Receivable (Payable)	
		September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Subsidiaries' stockholders:					
Casino transactions	9.2	P 197,900,225	P 270,605,773	P -	P 6,441,882
Management fees	9.3	143,494,267	164,660,447	(9,094,674)	(12,806,175)
Accounts payable	9.5	-	(33,000,002)	(347,670,510)	(347,670,510)
Related party under common ownership:					
Purchase of raw materials	9.1	2,615,153,835	2,219,089,071	(747,273,831)	(388,836,242)
Purchase of imported goods	9.1	16,417,558	6,040,403	(1,712,121)	(205,786)
Advances granted	9.4	355,257,373	(99,558,798)	1,629,533,584	1,274,276,211
Associates –					
Advances granted	9.4	(637,272)	168,695,478	1,269,227,709	1,269,864,981
Others:					
Accounts receivable	9.5	3,575,666	(551,912,817)	253,039,768	249,464,102
Accounts payable	9.5	-	(11,993,694)	(140,208,430)	(140,208,430)
Advances from joint venture partners and others	9.6	157,251,845	202,216,204	(2,487,226,834)	(2,329,974,989)

Unless otherwise stated, the outstanding balance of the Group's transactions with its related parties are unsecured, noninterest-bearing and payable or collectible on demand.

9.1 Purchase of Goods

Emperador imports finished goods and raw materials such as alcohol, flavorings and other items, through Andresons Global, Inc. (AGL). A related party under common ownership. Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, which is considered a related party under joint control.

These transactions are payable within 30 days. The outstanding balances as of September 30, 2018 and December 31, 2017 are shown as part of Trade Payables under the Trade and Other Payables account in the consolidated statements of financial position.

9.2 Casino Transactions with GHL

Travellers recognized outstanding accounts receivable from (payable to) GHL representing show money received by GHL from foreign patrons which GHL will later remit to Travellers. The outstanding balance is presented as part of Trade receivables under Trade and Other Receivables account in the consolidated statement of financial position.

9.3 Operations and Management Agreement with GHL

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. These transactions are presented as part of Management fees, under the Other Operating Expenses account in the consolidated statements of comprehensive income.

The outstanding liabilities arising from this transaction are presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position.

9.4 Advances to Associates and Other Related Parties

Entities within the Group grant advances to associates and other entities for working capital purposes. Settlement is generally made in cash or through offsetting arrangements. The outstanding balances of Advances to associates and other related parties, which are shown as part of Investments in and Advances to Associates and Other Related Parties account in the consolidated statements of financial position, and movement of the account are presented as follows (these mainly represent advances granted by Megaworld):

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	P 2,544,141,192	P 2,520,255,783
Cash advances granted	355,789,071	308,966,472
Collections	(1,168,970)	(285,081,063)
Balance at end of period	<u>P 2,898,761,293</u>	<u>P 2,544,141,192</u>

As of September 30, 2018, and December 31, 2017, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized.

9.5 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billings, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. Settlement is generally made in cash or through offsetting arrangements.

The details of the Due from/to Related Parties are presented under Trade and Other Receivables and Trade and Other Payables accounts, respectively, in the consolidated statements of financial position as follows:

	September 30, 2018 <u>(Unaudited)</u>	December 31, 2017 <u>(Audited)</u>
<i>Due from Related Parties</i>		
Balance at beginning of period	P 249,464,102	P 812,050,310
Additions	64,500,549	74,687,948
Collections	<u>(60,924,883)</u>	<u>(637,274,156)</u>
Balance at end of period	<u>P 253,039,768</u>	<u>P 249,464,102</u>
<i>Due to Related Parties</i>		
Balance at beginning of period	P 487,878,940	P 643,933,434
Additions	150,000,000	107,725,172
Repayments	<u>(150,000,000)</u>	<u>(263,779,666)</u>
Balance at end of period	<u>P 487,878,940</u>	<u>P 487,878,940</u>

As at September 30, 2018 and December 31, 2017, based on management's assessment, the outstanding balances of Due from related parties are not impaired; hence, no impairment losses were recognized.

9.6 Non-current Advances from Related Parties

Certain expenses of entities within the Group are paid for by other related parties. The advances are unsecured, noninterest-bearing, with no repayment terms, and generally payable in cash or through offsetting arrangements. Advances from Joint Venture (JV) partners pertain to advances from golf share partners and lot owners.

Details of Advances from Related Parties and JV Partners are presented as follows:

	September 30, 2018 <u>(Unaudited)</u>	December 31, 2017 <u>(Audited)</u>
Advances from related parties	P 2,090,851,883	P 1,933,600,038
Advances from JV partners	<u>396,374,951</u>	<u>396,374,951</u>
	<u>P 2,487,226,834</u>	<u>P 2,329,974,989</u>

9.7 Transactions with the Retirement Plans

The Group has formal retirement plans established separately for each significant subsidiary, particularly Megaworld, GERI, ELI, Travellers, GADC, EDI and WML. These plans are defined benefit post-employment plan maintained for qualified employees, administered and managed by trustee banks (except for GERI which is still an unfunded plan) that are legally separated from the Group. The retirement funds do not provide any guarantee or surety for any obligation of the Group and their investments are not covered by any restrictions or liens.

10. COMMITMENTS AND CONTINGENCIES

10.1 Tax Contingencies of Travellers' Casino Operations

Travellers is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with Philippine Amusement and Gaming Corporation (PAGCOR).

In August 2016, the Supreme Court (SC) confirmed that “all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos.” The SC Decision has been affirmed with finality by the SC in a Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the Bureau of Internal Revenue.

10.2 Consortium Agreement for Ninoy Aquino International Airport

In February 2018, AGI as a member of a consortium of seven (7) conglomerates, submitted a P102-billion unsolicited proposal to the Department of Transportation (DOTr) for the improvement, upgrade, enhancement, expansion, operation and maintenance, and management of the Ninoy Aquino International Airport. The DOTr and Manila International Airport Authority granted an Original Proponent Status (OPS) to the consortium.

10.3 Skytrain Project

In October 2017, the Group submitted a P3-billion unsolicited proposal to the government to build a 2-kilometer Skytrain monorail project and transfer its ownership title to the government. The Group was granted an OPS by the DOTr in May 2018.

10.4 Other Commitments and Contingencies

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying ICFS. Management is of the opinion that losses, if any, from these items will not have any material impact on the ICFS.

In addition, there are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

11. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at fair value through profit or loss (FVTPL), available-for-sale (AFS) financial assets, interest-bearing loans, bonds payable, trade receivables and payables and derivative assets and liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

11.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, Euros, UK pounds and U.S. dollars, which are the functional currencies of the individual subsidiaries making the transactions. The currency exchange risk arises from transactions carried out in currencies other than the functional currency of the subsidiaries at each entity level.

Foreign-currency denominated financial assets and financial liabilities, translated into Philippine pesos at period-end closing rate are as follows:

	<u>September 30, 2018 (Unaudited)</u>		<u>December 31, 2017 (Audited)</u>	
	<u>U.S. Dollars</u>	<u>HK Dollars</u>	<u>U.S. Dollars</u>	<u>HK Dollars</u>
Financial assets	P 3,096,842,998	P 3,188,755,520	P 5,735,896,982	P 1,654,695,454
Financial liabilities	(19,514,551,955)	(1,594,478,410)	(28,240,870,131)	(508,438,210)
	(P 16,417,708,957)	P 1,594,277,110	(P 22,504,973,149)	P 1,146,257,244

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and the U.S. dollar – Philippine peso exchange rate assumes +/- 7.21% and +/- 8.65% changes in exchange rate for the nine months ended September 30, 2018 and for the year ended December 31, 2017, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 7.36% and +/- 8.99% changes in exchange rate for the nine months ended September 30, 2018 and for the year ended December 31, 2017, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened (or weakened) against the U.S. dollar, with all other variables held constant, consolidated profit before tax would have increased (or decreased) by P1.2 billion for the nine-month period ended September 30, 2018 and P1.9 billion for the year ended December 31, 2017. If in 2018 and 2017, the Philippine peso had strengthened (or weakened) against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased (or increased) by P0.1 billion for the nine-month period ended September 30, 2018 and for the year ended December 31, 2017.

The Group periodically reviews the trend of the foreign exchange rates and, as a practical move, increases its U.S. dollar-denominated time deposits in times when the Philippine peso is depreciating or decreases its U.S. dollar-denominated placements in times when the Philippine peso is appreciating.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Sensitivity

The Group's interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to variable interest rates.

The sensitivity of the consolidated profit before tax for the period to a reasonably possible change in interest rates of +/- 2.03% for Philippine peso and +/- 2.71% for U.S. dollar in 2018, and +/- 0.97% for Philippine peso and +/- 1.14% for U.S. dollar in 2017 with effect from the beginning of the period. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at September 30, 2018 and December 31, 2017, with effect estimated from the beginning of the period. All other variables held constant, the consolidated profit before tax would have increased by P2.1 billion for the nine-month period ended September 30, 2018 and P1.0 billion for the year ended December 31, 2017. Conversely, if the interest rates decreased by the same percentage, consolidated profit before tax would have been lower by the same amount.

11.2 Credit Risk

Generally, the Group's credit risk is attributable to trade and other receivables arising mainly from transactions with approved franchisees, installment sales receivables, rental receivables and other financial assets. The carrying values of these financial assets subject to credit risk are disclosed in Note 12.

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

With respect to credit risk arising from the other financial assets of the Group, composed of cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

Trade and other receivables that are past due but not impaired are as follows:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Not more than 30 days	P 4,601,518,271	P 4,735,123,751
31 to 60 days	2,520,266,834	2,449,926,782
Over 60 days	<u>2,731,831,226</u>	<u>1,861,518,762</u>
	<u>P 9,853,616,331</u>	<u>P 9,046,569,295</u>

11.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a nine-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets. In addition, 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, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

As of September 30, 2018, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables	P 38,878,433,573	P 9,334,557,005	P -	P -
Interest-bearing loans	18,366,934,801	11,547,854,578	138,300,592,576	65,909,589
Bonds payable	-	954,279,123	18,438,097,500	12,321,210,000
Equity-linked debt securities (ELS)	-	-	5,402,665,931	-
Advances from related parties	-	-	2,487,226,834	-
Redeemable preferred shares	-	251,597,580	1,006,390,320	1,574,159,348
Guaranty deposits	12,501,709	12,362,377	104,198,146	353,850,904
Derivative liabilities	38,986,100	6,156,319	-	-
Other liabilities	-	-	209,169,874	-
	<u>P 57,296,856,183</u>	<u>P 22,106,806,982</u>	<u>P 165,948,341,181</u>	<u>P 14,315,129,841</u>

As of December 31, 2017, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within	6 to 12	1 to 5	Later than
	6 Months	Months	Years	5 Years
Trade and other payables	P 24,419,879,816	P 7,899,686,237	P -	P -
Interest-bearing loans	24,704,119,788	10,276,295,554	112,904,905,599	2,484,095,007
Bonds payable	10,533,444,945	548,844,945	4,691,407,500	25,709,595,938
ELS	-	-	5,525,331,862	-
Advances from related parties	-	-	2,329,974,989	-
Redeemable preferred shares	-	251,597,580	1,006,390,320	1,574,159,348
Guaranty deposits	-	-	129,185,721	256,772,125
Derivative liabilities	-	132,764,451	-	-
Other liabilities	-	-	175,863,371	-
	<u>P 59,657,444,549</u>	<u>P 19,109,188,767</u>	<u>P 126,763,059,362</u>	<u>P 30,024,622,418</u>

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

11.4 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the equity as of September 30, 2018 and December 31, 2017 are summarized as follows:

	Observed Volatility Rates		Impact on Equity	
	Increase	Decrease	Increase	Decrease
2018 - Investment in equity securities	+32.90%	-32.90%	<u>P 46,263,348</u>	<u>(P 46,263,348)</u>
2017 - Investment in equity securities	+23.39%	-23.39%	<u>P 32,014,364</u>	<u>(P 32,014,364)</u>

The maximum additional estimated loss in 2018 and 2017 is to the extent of the carrying value of the securities held as of these reporting dates with all other variables held constant. The estimated change in quoted market price is computed based on volatility of listed companies at the PSE for the past nine months in 2018 and 12 months in 2017, at 95% confidence level.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

12. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	September 30, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets				
Loans and receivables:				
Cash and cash equivalents	P 42,340,111,945	P 42,340,111,945	P 55,672,960,546	P 55,672,960,546
Trade and other receivables	95,582,491,725	95,582,491,725	91,134,734,166	91,134,734,166
Other financial assets	5,661,152,416	5,566,915,420	4,940,470,057	4,870,141,094
	<u>P 143,583,756,086</u>	<u>P 143,489,519,090</u>	<u>P 151,748,164,769</u>	<u>P 151,677,835,806</u>
Financial assets at FVTPL:				
Marketable debt and equity securities	P 18,941,613,636	P 18,941,613,636	P 13,496,901,752	P 13,496,901,752
Derivative assets	534,339,463	534,339,463	19,572,259	19,572,259
	<u>P 19,475,953,099</u>	<u>P 19,475,953,099</u>	<u>P 13,516,474,011</u>	<u>P 13,516,474,011</u>
AFS financial assets –				
Equity securities	P 454,841,354	P 454,841,354	P 431,645,289	P 431,645,289
Financial Liabilities				
Financial liabilities at FVTPL –				
Derivative liabilities	P 45,142,419	P 45,142,419	P 132,764,451	P 132,764,451
Financial liabilities at amortized cost:				
Current:				
Trade and other payables	P 48,212,990,578	P 48,212,990,578	P 43,076,814,186	P 43,076,814,186
Interest-bearing loans	27,917,439,059	27,477,702,774	32,700,476,157	32,393,555,681
Redeemable preferred shares	251,597,580	251,597,580	251,597,580	251,597,580
Bonds payable	-	-	9,976,270,876	9,041,946,581
	<u>P 76,382,027,217</u>	<u>P 75,942,290,932</u>	<u>P 86,005,158,799</u>	<u>P 84,763,914,028</u>
Non-current:				
Interest-bearing loans	P 127,913,449,172	P 126,825,498,017	P 108,273,087,029	P 107,186,186,697
Bonds payable	25,478,778,938	24,475,865,685	24,388,714,176	22,104,597,349
ELS	5,220,073,445	5,220,073,445	5,227,114,518	5,227,114,518
Redeemable preferred shares	1,936,508,114	2,039,291,584	1,857,022,802	2,238,796,220
Due to related parties	2,487,226,834	2,487,226,834	2,329,974,989	2,329,974,989
Security deposits	419,809,666	379,635,797	311,203,121	267,734,123
	<u>P 163,455,846,169</u>	<u>P 161,427,591,362</u>	<u>P 142,387,116,635</u>	<u>P 139,354,403,896</u>

13. FAIR VALUE MEASUREMENT AND DISCLOSURES

13.1 Fair Value Hierarchy

The hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets or for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value of Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

13.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of September 30, 2018 and December 31, 2017.

	<u>September 30, 2018 (Unaudited)</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial assets:</i>				
Financial assets at FVTPL –				
Debt and equity securities	P 18,941,613,636	P -	P -	P 18,941,613,636
Derivative asset	-	534,339,463	-	534,339,463
AFS financial assets –				
Equity securities	<u>140,618,080</u>	<u>100,600,000</u>	<u>213,623,274</u>	<u>454,841,354</u>
	<u>P 19,082,231,716</u>	<u>P 634,939,463</u>	<u>P 213,623,274</u>	<u>P 19,930,794,453</u>
<i>Financial liabilities:</i>				
Financial liability at FVTPL –				
Derivative liabilities	<u>P -</u>	<u>P 45,142,419</u>	<u>P -</u>	<u>P 45,142,419</u>
	<u>December 31, 2017 (Audited)</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial assets:</i>				
Financial assets at FVTPL –				
Debt and equity securities	P 13,496,901,752	P -	P -	P 13,496,901,752
Derivative asset	-	19,572,259	-	19,572,259
AFS financial assets –				
Equity securities	<u>136,872,015</u>	<u>78,200,000</u>	<u>216,573,274</u>	<u>431,645,289</u>
	<u>P 13,633,773,767</u>	<u>P 97,772,259</u>	<u>P 216,573,274</u>	<u>P 13,948,119,300</u>
<i>Financial liabilities:</i>				
Financial liability at FVTPL –				
Derivative liabilities	<u>P -</u>	<u>P 132,764,451</u>	<u>P -</u>	<u>P 132,764,451</u>

13.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table in the succeeding page shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of September 30, 2018 and December 31, 2017.

					September 30, 2018 (Unaudited)				
					Level 1	Level 2	Level 3	Total	
Financial assets:									
Cash and cash equivalents	P	42,340,111,945	P	-	P	-	P	42,340,111,945	
Trade and other receivables		-		131,474,730		95,451,016,995		95,582,491,725	
Other financial assets		-		522,589,819		5,044,325,601		5,566,915,420	
		<u>P 42,340,111,945</u>		<u>P 654,064,549</u>		<u>P100,495,342,596</u>		<u>P 143,489,519,090</u>	
Financial liabilities:									
Current:									
Trade and other payables	P	-	P	-	P	48,212,990,578	P	48,212,990,578	
Interest-bearing loans		-		379,579,970		27,098,122,804		27,477,702,774	
Redeemable preferred shares		-		-		251,597,580		251,597,580	
Non-current:									
Bonds payable		24,475,865,685		-		-		24,475,865,685	
Interest-bearing loans		-		457,063,037		126,368,434,980		126,825,498,017	
ELS		-		-		5,220,073,445		5,220,073,445	
Redeemable preferred shares		-		1,100,448,188		938,843,396		2,039,291,584	
Due to related parties		-		-		2,487,226,834		2,487,226,834	
Security deposits		-		345,224,222		34,411,575		379,635,797	
		<u>P 24,475,865,685</u>		<u>P 2,282,315,417</u>		<u>P210,611,701,192</u>		<u>P 237,369,882,294</u>	
					December 31, 2017 (Audited)				
					Level 1	Level 2	Level 3	Total	
Financial assets:									
Cash and cash equivalents	P	55,672,960,546	P	-	P	-	P	55,672,960,546	
Trade and other receivables		-		169,231,906		90,965,502,260		91,134,734,166	
Other financial assets		-		352,142,852		4,517,998,242		4,870,141,094	
		<u>P 55,672,960,546</u>		<u>P 521,374,758</u>		<u>P 95,483,500,502</u>		<u>P 151,677,835,806</u>	
Financial liabilities:									
Current:									
Trade and other payables	P	-	P	-	P	43,076,814,186	P	43,076,814,186	
Interest-bearing loans		-		387,203,538		32,006,352,143		32,393,555,681	
Bonds payable		9,041,946,581		-		-		9,041,946,581	
Redeemable preferred shares		-		-		251,597,580		251,597,580	
Non-current:									
Bonds payable		22,104,597,349		-		-		22,104,597,349	
Interest-bearing loans		-		757,977,570		106,428,209,127		107,186,186,697	
ELS		-		-		5,227,114,518		5,227,114,518	
Redeemable preferred shares		-		1,232,405,901		1,006,390,319		2,238,796,220	
Due to related parties		-		-		2,329,974,989		2,329,974,989	
Security deposits		-		267,734,123		-		267,734,123	
		<u>P 31,146,543,930</u>		<u>P 2,645,321,132</u>		<u>P190,326,452,862</u>		<u>P 224,118,317,924</u>	

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

13.4 Investment Property Measured at Cost for which Fair Value is Disclosed

As of December 31, 2017, the fair value of the Group's investment property amounting to P310.1 billion is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment property was determined using the income approach which is performed with values derived using a discounted cash flow model. Also, there were no transfers into or out of Level 3 fair value hierarchy. There was no valuation update made for the current period.

14. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

There were no changes in the Group's approach to capital management during the period.

	September 30, 2018 <u>(Unaudited)</u>	December 31, 2017 <u>(Audited)</u>
Total liabilities	P 301,224,916,980	P 289,979,745,091
Total equity	<u>297,760,856,156</u>	<u>271,842,047,791</u>
Debt-to-equity ratio	P <u>1.01:1</u>	<u>P 1.07:1</u>

15. SEASONAL FLUCTUATIONS

For Travellers, casino operations tend to experience seasonality in visitations during public holidays, festivals in the Philippines and around South East Asian region.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
AGING SCHEDULE OF CURRENT TRADE AND OTHER RECEIVABLES
SEPTEMBER 30, 2018
(Amounts in Philippine Pesos)

Current	P	68,365,482,205
1 to 30 days		4,601,518,271
31 to 60 days		2,520,266,834
Over 60 days		<u>2,731,831,226</u>
Total		78,219,098,536
Due from other related parties		<u>253,039,768</u>
Balance as at September 30, 2018	P	<u><u>78,472,138,304</u></u>