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FULL-YEAR 2016 EARNINGS RELEASE

Ayala's net income climbs to ₱26 billion

Ayala Corporation reported a net income of ₱26 billion in 2016, 17 percent higher than the previous year, on the back of double-digit growth contributions from its real estate and banking units, boosted by its emerging businesses in power and industrial technologies.

This positive earnings momentum was driven by the robust equity earnings contribution from Ayala business units, which expanded 14 percent from its year-ago level, to ₱32 billion. Equity earnings from the Bank of the Philippine Islands and Ayala Land jumped 19 percent and 18 percent, respectively. Meanwhile, equity earnings from AC Energy soared 27 percent, while equity earnings from AC Industrials grew 51 percent as its automotive business surged nearly fivefold during the year.

"Ayala capped its five-year strategic target in 2016 with net income expanding nearly threefold and a 23 percent compounded annual growth rate since we put the plan in place in 2011. We believe this was achieved through our disciplined execution and a strong domestic environment," Ayala President and Chief Operating Officer Fernando Zobel de Ayala said.

Real Estate

Ayala Land recorded a net income of ₱20.9 billion, growing 19 percent from a year ago, boosted by strong improvements in its property development and commercial leasing businesses.

The steady traction of Ayala Land's residential and office sale segments, combined with commercial and industrial lot sales, lifted property development revenues to ₱79.2 billion, 17 percent higher year-on-year.

Residential revenues rose 12 percent to ₱65.1 billion on higher bookings and newly completed projects. Office for sale revenues surged 27 percent to ₱8.8 billion, mainly supported by Alveo Park Triangle Towers. Meanwhile, commercial and industrial lot revenues doubled to ₱5.9 billion owing to strong lot sales in Arca South, Altaraza, and Naic, Cavite.

Ayala Land continues to build up its recurring income portfolio. Revenues from mall leasing grew 12 percent to ₱15 billion on the improved performance of established malls and contributions from newly opened malls. Office leasing revenues, meanwhile, increased 7 percent to ₱5.5 billion as new office developments came on stream. Revenues from hotels and resorts were steady at ₱6

billion. On a consolidated basis, Ayala Land's recurring income business accounted for 31 percent of its net income during the year.

Ayala Land launched 43 projects valued at ₱88 billion during the year, ₱62 billion of which accounted for residential and office for sale projects. It spent ₱85.4 billion in capital expenditures and introduced two key mixed-use developments—One Ayala in Makati Central Business District and the 17.5-hectare Gatewalk Central in Mandaue, Cebu. Ayala Land currently has 20 estates in key growth centers in the country.

Ayala Land plans to complete seven shopping centers this year with a total gross leasable space of 224,000 square meters. These include the recently opened Ayala Malls The 30th in Pasig, as well as Ayala Malls Vertis North in the Quezon City central business district, Ayala Malls Feliz in Cainta, and Ayala Malls One Bonifacio High Street in Bonifacio Global City, among others. In addition, it expects to complete a total of 185,000 square meters of gross leasable office space in locations like Vertis North, Circuit Makati, and The 30th in Pasig this year and 837 hotel and resort rooms in various locations such as Vertis North in Quezon City, Bacolod, El Nido, Palawan, and Sicogon Island in Iloilo.

Banking

Bank of the Philippine Islands sustained its earnings trajectory throughout the year, with net profits soaring 21 percent from the previous year to ₱22.1 billion. This was largely driven by solid gains from the bank's core banking, transactional, and bancassurance businesses, boosted by significant securities trading gains.

The bank's comprehensive income expanded 30 percent to ₱21.7 billion. Total revenues grew 12 percent to ₱66.6 billion as net interest income rose 10 percent to ₱42.4 billion, while non-interest income climbed 17 percent to ₱24.2 billion.

BPI's operating expenses reached ₱34.9 billion, up 10 percent from its year-ago level, owing to spending on general infrastructure combined with collective bargaining costs. Revenue growth cushioned the higher operating expenses with the bank's cost-to-income ratio improving to 52.5 percent from 53.7 percent in 2015.

BPI's loan portfolio breached the ₱1 trillion-mark during the year. It jumped 19 percent to ₱1.04 trillion, with 79 percent and 21 percent accounting for the corporate and retail segments, respectively. The bank maintains a healthy asset base with 90-day gross non-performing loans lower at 1.5 percent, from 1.6 percent a year ago. Reserve cover rose 118.7 percent from 110.2 percent in the previous year. Total deposits climbed 12 percent to ₱1.43 trillion, with current and savings account ratio at 73.5 percent.

BPI continues to expand both its corporate and retail segments. Last year, BPI arranged a ₱12.5 billion-Climate Bond for AboitizPower's Tiwi-Makban geothermal. It also arranged a ₱15 billion-bond issuance for Ayala Land and the ₱19.2 billion-initial public offering of Pilipinas Shell, both

highly successful offerings. In retail, BPI secured approval from the Bangko Sentral ng Pilipinas to open 44 new branches for both BPI and BPI Family Savings Bank.

Telecom

Despite sustained topline growth, the impact of non-operating and depreciation expenses from its recent strategic acquisitions weighed down on Globe's net profits in 2016, which declined 4 percent to ₱15.9 billion.

The depreciation charges arose from incremental asset build-up from the fourth quarter of the previous year and the full consolidation of Bayantel. The non-operating charges included costs related to the San Miguel transaction, consisting of interest expenses for the additional debt incurred for the acquisition, and Globe's share in the net losses of Vega Telecom and amortization of the intangible assets acquired.

Globe posted a 6 percent growth in consolidated service revenues, reaching a new record of ₱120 billion. This was primarily driven by robust broad-based demand across data-related products, complemented by healthy subscriber growth.

Mobile revenues were steady at ₱92 billion, as usage continued to shift from core voice and SMS to mobile data. Despite the intense competitive environment, mobile data is now the biggest contributor to Globe's mobile revenues, accounting for 38 percent of the segment. Mobile data revenues grew 25 percent from a year ago to ₱35 billion. Mobile data usage continued to pick up with traffic soaring 44 percent to 361 petabytes from its year-ago level, as smartphone penetration reached 61 percent during the year.

Globe's subscriber base continued to expand with mobile subscribers reaching 63 million, up 12 percent, bolstered by record-level prepaid acquisitions during the year. Home broadband subscribers grew 6 percent to 1.13 million from a year ago.

Home broadband revenues expanded 28 percent to ₱14.5 billion attributed to continued subscriber growth in fixed wireless solutions as Globe introduced new home broadband plans. Meanwhile, corporate data revenues climbed 28 percent to ₱10 billion, boosted by strong demand for domestic and international leased line services, sustained circuit expansion, and the increasing popularity of cloud-based services, such as data storage and cloud computing.

Globe registered a 9 percent-growth in earnings before interest, taxes, depreciation, and amortization, reaching a record ₱50 billion during the year. EBITDA margin improved to 42 percent from its year-ago level of 40 percent.

In 2016, Globe rolled out over 500 LTE 700 and 1,200 LTE 2600 sites using frequencies obtained from the SMC deal. This year, it is deploying around 1,800 LTE 700 and 1,000 LTE 2600 sites. In addition, it will deploy around 1,800 LTE 1800 sites to boost capacity and coverage. In home

broadband, Globe rolled out over 260,000 high-speed lines in 2016. It expects to deploy an additional 425,000 high-speed lines within the year.

Globe programmed approximately \$750 million in capital expenditures this year, with the bulk of this allocated for the deployment of LTE mobile and home broadband, expansion of network capacities and coverage, and enhancement of corporate data services.

Water

Manila Water's net income reached ₱6.1 billion, up 2 percent from the previous year on the improved performance of the Manila Concession combined with higher contributions from its businesses outside Metro Manila.

The Manila Concession registered a 4 percent growth in billed volume to 478.9 million cubic meters, attributed to increased consumption, combined with higher connections from the expansion areas of Marikina, Pasig and Taguig. The Manila Concession continued to improve its operation efficiencies, with non-revenue water dropping to 10.8 percent from 11.2 percent in the previous year as a result of continuous repair works at distribution lines. Collection efficiency remained robust at 100.2 percent

Outside the Manila Concession, Manila Water Philippine Ventures, Manila Water's holding company for all its domestic operating subsidiaries outside the Manila Concession, recorded a 96 percent surge in consolidated net income to ₱570 million, largely driven by Boracay Water, Laguna Water, and the first year of Estate Water's operations.

Boracay Water's net income soared 74 percent to ₱122 million on revenues and managed operating expenses. Laguna Water's net income jumped 22 percent to ₱248 million bolstered by new service connections. Meanwhile, Manila Water's private full-service water and used water operator, Estate Water, booked a net income of ₱217 million in its first year of operations and billed volume of 2.1 million cubic meters from Ayala Land's 47 brownfield developments.

Altogether, net income from non-Manila Concession businesses reached ₱1 billion, accounting for 17 percent of Manila Water's consolidated net income.

Last December, Manila Water won a 25-year concession to develop and operate the water supply system in Calasiao, Pangasinan. Further, it won another 25-year concession to rehabilitate, operate, and manage the water supply system, and provide water sanitation services in Obando, Bulacan. Manila Water also signed a memorandum of agreement with the SM group to provide water and used water services, initially covering its horizontal real estate projects.

Industrial Technologies

Early last year, Ayala set up AC Industrials to house the group's investments in industrial technologies, namely Integrated Micro-Electronics and AC Automotive, to take advantage of opportunities in emerging trends in the global manufacturing.

On a combined basis, Ayala's industrial technologies portfolio reached a net income of ₱1.8 billion during the year, 29 percent higher than a year ago as its automotive business contributed significant profit growth, lifted by robust vehicle sales across all brands as well as higher contribution from its distribution businesses.

In electronics manufacturing, IMI posted a net income of US\$28.1 million (₱1.3 billion), 2 percent lower than its year-ago level owing to transaction and financing costs related to strategic acquisitions and foreign exchange headwinds from the Chinese Renminbi.

Notwithstanding a challenging global environment, IMI's revenues improved 4 percent to US\$843 million (₱40 billion). This was lifted by VIA Optronics and its Europe and Mexico operations, which contributed a combined US\$308 million, a 15 percent growth year-on-year. Operating income expanded 13 percent from a year ago to US\$42.9 million.

IMI continues to expand its footprint in higher complex box build offerings, while making disciplined investments to fund its growth initiatives. Last year, IMI spent US\$52.3 million in capital expenditures to build more complex and higher value-add manufacturing capabilities and growth platforms.

Power Generation

AC Energy recorded a 25 percent expansion in net earnings during the year to ₱2.7 billion. This sustained earnings trajectory was fueled by strong equity earnings contribution from its operating assets on improved operating efficiencies, boosted by gains from value realization from its partial sale of shares in South Luzon Thermal Energy Corporation.

Equity earnings from AC Energy's investee companies climbed 67 percent to ₱1.8 billion on higher operating efficiencies of GNPowr Mariveles and the successful start of operations of South Luzon Thermal Energy Corporation's second unit.

AC Energy continues to scale up as it executes on its new strategic aspirations of doubling its equity commitment to US\$1.6 billion and its attributable power generating capacity to 2,000 megawatts by 2020. Last December, AC Energy, as part of a consortium, signed an agreement with the Chevron Global Energy and the Union Oil Company of California groups for the acquisition of Chevron's geothermal operations in Indonesia and the Philippines. Moreover, in January 2017, AC Energy signed investment agreements with UPC Renewables Indonesia for the development, construction, and operation of a 75 megawatt-wind farm project in Sidrap, South Sulawesi, Indonesia.

Transport Infrastructure

AC Infrastructure continues to execute on its three public-private partnership projects. For the LRT 1, LRMC increased capacity by 30 percent, with average daily ridership breaching 500,000 in December. The Muntinlupa-Cavite Expressway is currently servicing an average of about 27,000 vehicles daily. Meanwhile, the Beep card posted ₱9.7 billion in total transactions, reaching 2.8 million users at the end of 2016. The Beep card has now expanded beyond rail to include select bus lines. It is also accepted as a payment platform in 80 FamilyMart stores.

Capital Expenditures

The Ayala group is increasing its capital expenditures this year by 13 percent to ₱185 billion, primarily to support the growth strategies of its real estate, telecommunications, and water units and ramp up its emerging businesses in power, industrial technologies, healthcare, and education. At the parent level, Ayala has earmarked ₱21 billion in capital spending this year, largely to fund the investment program of its power business.

Over the past five years, the Ayala group has invested over ₱700 billion in cumulative capital expenditures across its portfolio of businesses.

"The aggressive capital spending we have programmed this year reflects the Ayala group's continued optimism in the domestic environment," Ayala Chairman and CEO Mr. Jaime Augusto Zobel de Ayala said. "While we remain mindful of macroeconomic indicators that may affect the overall business landscape, our business units continue to perform well and carry out their strategic direction for 2020," Mr. Zobel noted.

Last year, Ayala announced its target to double its net income to ₱50 billion by 2020 anchored on strong growth projections in its core businesses in real estate, banking, telecommunications, and water, as well as emerging businesses in power and industrial technologies.

Balance Sheet

Ayala's balance sheet remains at a comfortable level. At the parent level, cash amounted to ₱16.4 billion while net debt stood at ₱60 billion at the end of 2016. Net debt-to-equity ratio during the period was 0.56 at the parent level and 0.63 at the consolidated level. Ayala's loan-to-value ratio, the ratio of its parent net debt to the total value of its investments, stood at 11% percent at the end of 2016.

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

	Years Ended December 31		
	2016	2015	2014
INCOME			
Sale of goods	₱137,307,163	₱118,285,566	₱105,140,825
Rendering of services	61,901,736	55,749,425	51,275,623
Share of profit of associates and joint ventures	18,153,893	15,038,015	13,185,147
Interest income	6,776,936	7,296,799	5,493,715
Other income	13,146,061	11,296,937	9,180,254
	237,285,789	207,666,742	184,275,564
COSTS AND EXPENSES			
Costs of sales	105,752,969	89,487,870	77,773,560
Costs of rendering services	35,597,431	33,573,245	34,495,682
General and administrative	19,412,193	18,052,241	15,831,000
Interest and other financing charges	14,258,189	13,276,414	11,933,781
Other charges	8,325,424	5,970,474	3,829,020
	183,346,206	160,360,244	143,863,043
INCOME BEFORE INCOME TAX	53,939,583	47,306,498	40,412,521
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	11,357,136	8,847,768	7,964,375
Deferred	(850,162)	163,676	173,543
	10,506,974	9,011,444	8,137,918
NET INCOME	₱43,432,609	₱38,295,054	₱32,274,603
Net Income Attributable to:			
Owners of the parent	₱26,011,263	₱22,278,955	₱18,609,229
Non-controlling interests	17,421,346	16,016,099	13,665,374
	₱43,432,609	₱38,295,054	₱32,274,603
EARNINGS PER SHARE			
Basic	₱39.88	₱33.89	₱29.83
Diluted	₱39.31	₱33.38	₱29.35

AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	₱60,223,324	₱82,154,542
Short-term investments	1,008,705	2,052,288
Accounts and notes receivable	116,841,963	82,595,788
Inventories	76,752,875	68,430,908
Other current assets	33,638,483	27,617,032
Total Current Assets	288,465,350	262,850,558
Noncurrent Assets		
Noncurrent accounts and notes receivable	36,484,347	41,793,499
Investments in bonds and other securities	4,565,079	3,737,816
Land and improvements	101,049,171	92,894,879
Investments in associates and joint ventures	180,313,743	162,711,420
Investment properties	110,916,644	83,669,492
Property, plant and equipment	64,074,471	39,644,489
Service concession assets	82,422,249	78,828,840
Intangible assets	9,716,403	3,909,603
Deferred tax assets - net	12,414,647	9,742,797
Pension and other noncurrent assets	21,282,399	14,291,330
Total Noncurrent Assets	623,239,153	531,224,165
Total Assets	₱911,704,503	₱794,074,723
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	₱164,600,578	₱145,597,876
Short-term debt	30,858,137	24,387,515
Income tax payable	2,270,315	1,943,217
Current portion of:		
Long-term debt	19,792,669	28,153,532
Service concession obligation	754,519	1,255,644
Other current liabilities	17,522,984	4,629,680
Total Current Liabilities	235,799,202	205,967,464
Noncurrent Liabilities		
Long-term debt - net of current portion	245,203,145	210,799,647
Service concession obligation - net of current portion	6,822,862	7,538,374
Deferred tax liabilities - net	9,543,754	6,440,505
Pension liabilities	2,469,140	2,545,978
Other noncurrent liabilities	40,870,522	32,238,772
Total Noncurrent Liabilities	304,909,423	259,563,276
Total Liabilities	540,708,625	465,530,740

(Forward)

	December 31	
	2016	2015
Equity		
Equity attributable to owners of the parent		
Paid-in capital	₱74,379,760	₱73,919,322
Share-based payments	495,759	568,847
Remeasurement gains (losses) on defined benefit plans	(1,548,192)	(1,249,716)
Net unrealized gain (loss) on available-for-sale financial assets	(466,676)	(554,297)
Cumulative translation adjustments	1,414,550	288,683
Equity reserve	12,211,275	12,402,311
Equity conversion option	1,113,745	1,113,745
Retained earnings	145,622,311	124,468,464
Treasury stock	(2,300,000)	(2,300,000)
	230,922,532	208,657,359
Non-controlling interests	140,073,346	119,886,624
Total Equity	370,995,878	328,543,983
Total Liabilities and Equity	₱911,704,503	₱794,074,723