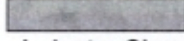


SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATIONS CODE (SRC) AND SRC RULE 17(a)-1(b)(3) THEREUNDER

1. **August 14, 2014**
Date of Report (Date of earliest event reported)
2. **34218**
SEC Identification Number
3. **000-153-610-000**
BIR Tax Identification Number
4. **AYALA CORPORATION**
Exact Name of registrant as specified in its charter
5. **PHILIPPINES**
Province, country or other jurisdiction of incorporation
6.  (SEC Use Only)
Industry Classification Code
7. **33/F, Tower One, Ayala Triangle, Ayala Avenue, Makati City**
Address of principal office
- 1226**
Postal code
8. **908-3000**
Registrant's telephone number, including area code
9. **N.A.**
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the SRC

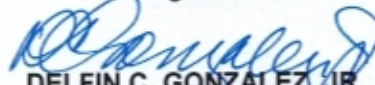
Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES	599,438,041
PREFERRED "B" SHARES	20,000,000
VOTING PREFERRED SHARES	200,000,000

Indicate the item numbers reported herein : **Please refer to attached letter**

Re: **Ayala Corporation's Earnings Up 34% in First Half**

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

AYALA CORPORATION
Registrant


DELFIN C. GONZALEZ JR.
Chief Finance Officer

Date : **August 14, 2014**



14 August 2014

SECURITIES & EXCHANGE COMMISSION

SEC Building, EDSA
Mandaluyong City

Attention: DIRECTOR JUSTINA F. CALLANGAN
Corporation and Finance Department

THE PHILIPPINE STOCK EXCHANGE, INC.

2/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION

37/F, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City

Attention: Ms. VINA VANESSA S. SALONGA
Head, Issuer Compliance and Disclosure Department

Subject: **Ayala Corporation's Earnings Up 34% in First Half**

Mesdames/Gentlemen:

Ayala Corporation's net income in the first half of the year reached P9.8 billion, 34% higher than same period last year. The strong growth was driven by the solid performance of its core businesses, particularly Ayala Land, Globe Telecom, and Manila Water. Equity earnings from Globe, which quadrupled year-on-year, more than offset the decline in the contribution of banking unit, Bank of the Philippine Islands (BPI), which registered lower trading gains in the first half of this year. The substantial improvement in equity earnings from international businesses also boosted earnings in the first semester, which included a P1.8 billion net gain from the sale of Stream Global Services, Inc. by Livelt. Altogether, these put total equity earnings in the first half of the year at P12.8 billion, up 35% versus the same period last year.

Ayala's core business units largely outperformed first half last year's earnings.

Ayala Land's net income in the first semester grew by 25% to P7.1 billion as the positive momentum in the real estate sector continued. Real estate revenues grew by 24% to nearly P43 billion as its residential, commercial leasing, and construction businesses posted strong double-digit growth. Residential revenues grew by 40% to P24.3 billion on new bookings and completion of existing residential projects. Residential sales take-up remained strong, hitting an all-time high of P48.5 billion in the second quarter, registering an 11% growth year-on-year.

Residential bookings also grew by 7% year-on-year to P31.6 billion. Shopping center revenues rose by 10% to P5.5 billion, while Office Leasing was up 31% to P2.1 billion. The opening of new gross leasable areas, full year operations of new offices, and higher average rent largely fuelled the 22% growth of its Commercial Leasing business. Ayala Land's growing Hotels and Resorts portfolio also contributed as it registered a 48% increase in revenues. Strong revenues coupled with stable gross margins across nearly all its business lines pushed net earnings during the period. Ayala Land continued to launch new projects in the second quarter, bringing to market new offerings in retail, offices, hotels and even healthcare. The company spent a total of P32.9 billion in capex as of the end of the first half of this year as it continued to execute and expand its pipeline of projects.

Globe Telecom continued to sustain momentum as it achieved record-level revenues of P47.7 billion in the first half of the year, 7% higher than the P44.5 billion recorded in the same period last year. The robust revenue expansion was fuelled by the solid growth of all business segments as its mobile and broadband subscriber base expanded. By the end of the first half of the year Globe's mobile subscriber base reached 42.7 million, a solid 18% growth compared to 36.1 million a year ago. Globe's mobile segment posted revenues of P37.8 billion, 5% higher than last year due to the strong contribution from both postpaid and prepaid segments. Globe postpaid continued to lead as revenues rose by 11%, while prepaid revenues rose by 2%. Globe continued to reinvest its gains in acquiring and retaining high quality subscribers and in the expansion of its data network. This pushed subsidy and operating expenses, including interconnection charges 12% higher year-on-year, resulting in an EBITDA of P19.1 billion, 1% higher than prior year. Substantially lower depreciation charges, as the accelerated depreciation from the network transformation program tapered, as well as lower replacement cost drove the 385% growth in net income to P6.8 billion in the first half of the year.

Ayala's water unit, Manila Water, also reported solid earnings growth on the back of a 6% growth in consolidated revenues. The strong top-line expansion was driven by a 16% growth in consolidated billed volume. This was mainly due to the East zone, which increased by 3%, while billed volume growth from new business also registered strong double-digit growth. Consolidated cost and expenses rose by 11%, mainly as a result of higher power and utility costs. Notwithstanding this, EBITDA grew by 5% to P6 billion and consequently, net income was 8% higher to P3.2 billion by the end of the first half. New businesses continued to contribute, accounting for 12% of Manila Water's consolidated net income.

The strong performance of these core businesses offset the 33% decline in BPI's net income which was reported at P8 billion in the first half of 2014. This was mainly due to the 32% decline in the bank's non-interest income as a result of the sharp contraction in trading gains during the period. The bank's core banking business, however, remained solid as net interest income in the first half increased by 15% relative to the same period in 2013. Total deposits exceeded P1 trillion for the first time, representing a 30% increase over the prior year. Loan growth remained robust, registering a 23% expansion during the period due to a larger average asset base. Net interest margins also improved quarter-on-quarter to 3.1% in the second quarter of the year versus 3.0% in the first quarter. Non-interest income expectedly declined to P9.2 billion, reflecting its reduced reliance on securities trading. Operating expenses rose by 10% as the bank continued to invest in its infrastructure and as it positions itself for future growth. Notwithstanding the increase in its loan portfolio, asset quality continued to improve with gross 90-day NPL ratio down to 1.85% from 2.05% a year ago. The bank's performance as of the first half of the year translates to a return-on-equity of 12.9%.

Ayala's international businesses saw significant improvement, contributing to the strong gains during the period. Integrated Microelectronics, Inc. (IMI) posted a five-fold improvement in net income in the first half of the year to US\$11.3 million as consolidated revenues rose by 23% to US\$431 million. Increased demand from customers in the telecom, automotive electronics, and storage device markets helped lift revenues and earnings. In the meantime, its business process outsourcing unit, Livelt, posted a net income in the first half of 2014 largely due

to the P1.8 billion net gain from the divestment of Stream Global Services, Inc. which was booked in the first quarter of this year.

Ayala has recently made significant investments in the power and transport infrastructure sectors and has allotted P24 billion in capex for projects in this space this year. It recently won the LRT 1 bid, together with the Metro Pacific group, and was the highest complying bidder, together with the Aboitiz group, for the Cavite-Laguna Expressway project. Since 2012, the company set out to invest a total of US\$1 billion in energy and infrastructure projects through 2016. It has so far committed equity of close to US\$500 million in various power and transport infrastructure projects. As of the end of the period Ayala had roughly P38 billion in cash with parent company net debt to equity ratio of 0.44 to 1.

Very truly yours,



DELFIN C. GONZALEZ, JR.
Chief Finance Officer



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

(Amounts in Thousand Pesos, except earnings per share)

June 2014
(Unaudited)

June 2013
(Unaudited)

INCOME

Sale of goods	51,484,923	41,874,636
Rendering services	25,418,025	22,335,993
Share of profit of associates and joint ventures	6,828,500	5,657,407
Interest income	2,658,093	1,415,813
Other income	4,771,679	3,314,296
	91,161,220	74,598,145

COSTS AND EXPENSES

Costs of sales	40,920,494	31,831,020
Costs of rendering services	14,276,195	13,513,316
General and administrative	8,112,105	6,379,754
Interest expense and other financing charges	6,157,750	4,634,726
Other charges	1,580,360	2,203,862
	71,046,904	58,562,678

INCOME BEFORE INCOME TAX

20,114,316 **16,035,467**

PROVISION FOR INCOME TAX

Current	4,108,307	3,870,789
Deferred	(481,699)	(446,214)

NET INCOME

16,487,708 **12,610,892**

Net Income Attributable to:

Owners of the parent	9,798,711	7,303,536
Non-controlling interests	6,688,997	5,307,356
	16,487,708	12,610,892

EARNINGS PER SHARE

Basic	15.89	11.80
Diluted	15.80	11.72

**AYALA CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousand Pesos)

	June 30, 2014 Unaudited	December 31, 2013 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	81,732,275	65,655,049
Short-term investments	8,364,557	119,345
Accounts and notes receivable	78,796,235	56,341,044
Inventories	50,635,622	50,178,486
Other current assets	32,600,081	39,194,020
Total Current Assets	252,128,770	211,487,944
Noncurrent asset held for sale	-	3,328,712
	252,128,770	214,816,656
Noncurrent Assets		
Noncurrent accounts and notes receivable	14,225,615	18,282,941
Investment in bonds and other securities	3,062,528	2,784,807
Land and improvements	68,417,035	62,474,802
Investments in associates and joint ventures	145,400,816	119,804,086
Investment properties	68,802,507	63,157,223
Property, plant and equipment	26,250,694	25,883,469
Service concession assets	74,380,985	73,754,407
Intangible assets	4,275,376	4,175,846
Deferred tax assets - net	7,164,765	6,513,585
Pension and other noncurrent assets	15,211,434	8,016,478
Total Noncurrent Assets	427,191,755	384,847,644
Total Assets	679,320,525	599,664,300
Current Liabilities		
Accounts payable and accrued expenses	123,813,506	103,604,247
Short-term debt	11,680,443	15,811,285
Income tax payable	1,198,670	1,667,543
Current portion of:		
Long-term debt	11,836,113	11,842,519
Service concession obligation	1,303,061	1,290,406
Other current liabilities	5,235,373	10,991,693
Total Current Liabilities	155,067,166	145,207,693
Noncurrent Liabilities		
Long-term debt - net of current portion	234,094,053	178,027,343
Service concession obligation - net of current portion	7,857,168	7,868,295
Deferred tax liabilities - net	5,755,289	6,347,400
Pension liabilities - net	1,874,509	1,915,040
Other noncurrent liabilities	23,726,901	24,827,938
Total Noncurrent Liabilities	273,307,920	218,986,016
Total Liabilities	428,375,086	364,193,709
Equity		
Equity attributable to owners of the parent		
Paid-in capital	50,368,693	50,166,129
Share-based payments	416,150	485,187
Remeasurement gains/(losses) on defined benefit plans	(1,317,954)	(1,317,954)
Net unrealized gain (loss) on available-for-sale financial assets	(227,015)	277,848
Cumulative translation adjustments	(938,033)	(1,256,831)
Equity reserve	7,615,505	7,482,121
Equity - conversion option	1,113,806	
Retained earnings	100,997,738	92,639,781
Treasury stock	(5,000,000)	(5,000,000)
	153,028,890	143,476,281
Non-controlling interests	97,916,549	91,994,310
Total Equity	250,945,439	235,470,591
Total Liabilities and Equity	679,320,525	599,664,300