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1Q 2017 EARNINGS RELEASE

Ayala registers ₱6.9 billion net income in Q1, up 20%

Ayala Corporation's net income expanded 20 percent in the first quarter of the year to ₱6.9 billion driven by the robust results of its banking and real estate businesses, as well as the solid earnings of its emerging businesses in power and industrial technologies.

Strong equity earnings from its businesses, which climbed 18 percent year-on-year to reach ₱8.5 billion, lifted the conglomerate's performance during the period. This was led by equity earnings from the Bank of the Philippine Islands and Ayala Land, which expanded 27 percent and 18 percent, respectively. In addition, Ayala's emerging businesses posted higher equity earnings, particularly AC Energy and AC Industrials, expanding 26 percent and 22 percent, respectively.

On a quarter-on-quarter basis, Ayala's net income climbed 9 percent from the fourth quarter of 2016 on the back of the robust performance of its banking business.

"We are pleased to see our businesses sustain their positive performance in the first quarter. As a group, we continue to search for value-accretive opportunities not only to create new sources of financial growth, but also to remain relevant to our stakeholders. As our core businesses maintain their growth trajectories, we are encouraged by the progress of our emerging businesses. In particular, our power, infrastructure, and industrial technologies units are pursuing strategic opportunities to scale up and over time bring significant value to our portfolio," Ayala President and Chief Operating Officer Fernando Zobel de Ayala said.

Real Estate

Ayala Land posted ₱5.6 billion in net income during the period, 18 percent higher year-on-year on the continued expansion of its property development and commercial leasing businesses.

Property development revenues jumped 21 percent to ₱19.7 billion, backed by the residential, office for sale, and commercial and industrial lots segments. Residential revenues grew 11 percent to ₱16.6 billion, supported by higher bookings and project completions across all residential brands. Bookings from Alveo's Park Triangle Tower and Avida's Capital House, both in Bonifacio Global City, as well as the Alveo Financial Tower in the Makati Central Business District, drove the 26 percent increase in office for sale revenues to ₱1.5 billion. Meanwhile, commercial and industrial lot revenues expanded tenfold to ₱1.6 billion, fueled by lot sales in Vermosa, Arca South, and Naic.

Mall and office leasing revenues continued to improve, reaching ₱7.1 billion, up nine percent from a year ago. Ayala Land booked ₱3.8 billion in mall leasing revenues during the period, a 12 percent increase year-on-year. This was driven by the contributions from newly opened malls, namely: The 30th in Pasig City, UP Town Center in Quezon City, South Park in Muntinlupa City, Ayala Malls in Legaspi, and the addition of Tutuban Center in Manila. Office leasing revenues rose eight percent to ₱1.5 billion on higher average rent in established offices and contributions from newly opened office spaces. Hotel and resorts revenues were stable at ₱1.7 billion, up four percent from a year ago.

In the first three months of the year, Ayala Land deployed ₱21.8 billion in capital expenditures. Of this amount, 46 percent was used for the completion of residential projects, while 37 percent was channeled into commercial leasing projects. The remaining amount was allocated for land acquisition and the developments of Ayala Land's existing estates.

Banking

Bank of the Philippine Islands booked robust results in the first quarter of the year with net income surging 26 percent to ₱6.3 billion buoyed by the consistent performance of its core lending business. This was further boosted by its fee-based businesses and gains from securities trading and property sales.

BPI's total revenues jumped 18 percent year-on-year to ₱18 billion. Net interest income expanded 15 percent to ₱11.5 billion, bolstered by higher asset yields and the growth of its loan portfolio. Non-interest income jumped 23 percent to ₱6.5 billion on securities trading gains, service charges, underwriting fees, and gains from asset sales.

Cognizant of customers' evolving needs and preferences, BPI increased its investments in tools and processes to ensure greater convenience and security for customers amid an increasingly digital environment. The bank's operating expenses during the period amounted to ₱8.7 billion, up 11 percent owing to additional manpower, regulatory costs, and spending on operational infrastructure. Despite higher operating expenses, BPI's cost-to-income ratio improved to 48.6 percent compared to 51.4 percent during the same period last year. The bank ended the first quarter with return on assets of 1.5 percent and a return on equity of 15 percent, up 0.14 and 1.89 percentage points, respectively.

BPI's loan portfolio expanded 20 percent year-on-year to ₱1.03 trillion. The bank maintains a healthy asset base with gross 90-day non-performing loans improving to 1.5 percent compared to its year ago level of 1.7 percent. Reserve cover grew to 123.7 percent from 114.2 percent in the same period last year. Total deposits stood at ₱1.4 trillion, up 11 percent, with low-cost deposits amounting to 73.9 percent of the full amount.

Telecom

The sustained momentum in data-related services across mobile data, home broadband, and corporate data segments drove Globe Telecom's topline growth in the first three months of the year, which improved four percent to ₱31 billion. Mobile data revenues climbed eight percent to ₱10 billion, with this segment now representing 42 percent of total mobile revenues. Data-related services accounted for 53 percent of Globe's total service revenues during the period.

Despite this improvement in revenues, the higher depreciation, interest expense, and costs related to the strategic acquisition of San Miguel's telecom assets weighed on Globe's net income, which declined 13 percent to ₱3.8 billion in the first quarter. Stripping off the impact of costs related to the acquisition of San Miguel's telecom assets, Globe's normalized net income declined by only four percent.

Globe's earnings before interest, taxes, and depreciation slightly rose two percent to ₱13.3 billion as the increase in revenues was pared by higher operating expenses. EBITDA margin during the period stood at 43 percent, slightly lower from its year ago level. Globe booked ₱6.4 billion in depreciation expenses, four percent higher as a result of the aggressive infrastructure investments it made in recent years.

Acquisition of high-value prepaid subscribers slightly lifted Globe's mobile subscriber base, which stood at 58.6 million in the first quarter, two percent higher than a year ago. Globe's prepaid segment accounted for 99 percent of subscriber identification modules (SIM) during the period. Effective this reporting period, Globe will report subscriber information based on a churn rate of 90 days from the previous 120 days.

As part of its commitment to improve LTE capacity and network coverage, Globe has deployed 260 LTE700 and 30 LTE2600 sites during the first quarter using frequencies obtained from the San Miguel acquisition. It also launched 155 sites utilizing the LTE1800 frequency.

Water

Because of higher costs from new investments and expansion initiatives, Manila Water posted a two percent decline in its net earnings to ₱1.4 billion in the first quarter. Consolidated revenues, however, rose three percent to ₱4.4 billion owing to a slight increase in billed volume during the period.

Manila Water continues to pursue growth opportunities outside the Manila Concession. In the first quarter, its businesses outside the Manila Concession accounted for 19 percent of its net income. Manila Water Philippine Ventures, Manila Water's holding company for its domestic subsidiaries outside the Manila Concession, recorded attributable net income of ₱145 million, 36 percent higher than the previous year, bolstered by the robust performance of Estate Water, Laguna Water, and Cebu Water.

Estate Water recorded a net income of ₱66 million, surging nearly fourfold as its operations continued to ramp up. Strong billed volume growth in Laguna Water and Cebu Water drove their net earnings during the period, which expanded 24 percent to ₱54 million, and 46 percent to ₱19 million, respectively.

Revenues from the Manila Concession were flat at ₱3.6 billion, tracking the one percent growth in billed volume during the period. Non-revenue water stood at 12.2 percent, a one percentage-point decline from the previous year. Collection efficiency stood at 102 percent.

Manila Water continues to ramp up its expansion initiatives geographically and across its products and services. In the Philippines, Manila Water Philippine Ventures through Laguna Water will be taking over the water distribution of Calauan town, further expanding its footprint in the province of Laguna. Moreover, Boracay Water started supplying bulk water to the municipality of Malay in the province of Aklan. In Vietnam, Manila Water Asia Pacific completed the negotiations with Tan Hiep, the water supplier of Saigon Water Corporation in the Hoc Mon District of Ho Chi Minh City, for a bulk water operations project. It also won a full water distribution operations contract to serve the central highlands of Gia Lai Province in Vietnam. Manila Water Total Solutions launched in April the 500-milliliter "Healthy Family Mini" purified water.

Industrial Technologies

In March, AC Industrials assumed Ayala's 50.7 percent ownership in Integrated Micro-Electronics originally held by AYC Holdings. The transaction consolidated Ayala's existing assets in manufacturing, and vehicle distribution and dealership under AC Industrials, to execute Ayala's vision to assemble a portfolio of businesses that own, develop, enable, manufacture, and commercialize automotive and other industrial technologies platforms.

AC Industrials recorded ₱332 million net income, 22 percent higher from the previous year driven by the robust performance of both its electronics manufacturing and automotive retail businesses.

Solid topline growth and better gross profit margins lifted IMI's net income, which expanded 33 percent to US\$8.7million (₱434.1 million). As of 2016, IMI was the 20th largest global EMS provider according to Manufacturing Market Insider, a notch higher from its 2015 ranking.

IMI's revenues climbed 18 percent to US\$235.9 million (₱11.8 billion) led by its Europe, Philippine, and Mexico operations. In addition, the consolidation of newly-acquired VIA Optonics boosted IMI's core businesses, contributing US\$23.9 million in revenues during the first quarter of the year. IMI's gross profit reached US\$28.9 million, 38 percent higher from the previous year, with gross profit margin improving to 12.2 percent from its year ago level of 10.5 percent.

In April, IMI announced the acquisition of an 80 percent stake in UK-based STI Enterprises Limited, subject to closing conditions and regulatory approval. STI provides electronics design and manufacturing solutions in both printed circuit board assembly and full box-build manufacturing for high-reliability industries. This acquisition will enable IMI to expand into the aerospace and

defense markets while strengthening the industrial segment in manufacturing, as well as in technology development and engineering.

AC Industrials' automotive business recorded a net income of ₱117 million, 10 percent higher than the previous year on the back of robust sales of its Honda BR-V and Civic models. Revenues rose 37 percent to ₱7.6 billion driven by robust demand across all brands.

KTM Philippines manufactured its first motorcycle, with the formal opening of its manufacturing facility set to commence in June of this year. Located in IMI's complex in Laguna, the facility has an estimated annual production capacity of 20,000 motorcycles, the majority of which is meant for export to China and to Southeast Asian countries.

Power Generation

Sustained operating efficiencies of its power assets drove AC Energy's results in the first quarter. Net income surged 25 percent to ₱313.7 million. This was achieved despite the annual maintenance for AC Energy's conventional energy assets, South Luzon Thermal Energy Corporation and GNPowder Mariveles, which was scheduled during the period.

AC Energy continues to execute on its 2020 target of doubling its total attributable capacity to 2,000 megawatts, while increasing its portfolio of renewable energy to 1,000 megawatts. In March, it acquired 100 percent ownership of Bronzeoak Clean Energy and San Carlos Clean Energy. These bring complementary strengths to AC Energy, specifically in renewable energy development, management, and operations.

Also in March, as part of an Indonesian consortium, AC Energy completed the acquisition of Chevron Global Energy Inc. and Union Oil Company of California's geothermal assets and operations in Indonesia. These assets have a combined capacity of approximately 637 megawatts of steam and power, and will contribute to AC Energy's growing portfolio of renewable energy assets.

Infrastructure

AC Infrastructure continues to optimize the operations of its three public-private partnership projects. Light Rail Manila Corporation, which manages and operates LRT 1, increased average daily train trips to 471 from 462 during the same period in 2016. It averaged close to 445,000 daily riders for the first three months of the year. The Muntinlupa-Cavite Expressway averaged close to 28,000 vehicles per day, up 29 percent year-on-year as of March 2017. Meanwhile, the Beep ticketing system now has close to 3.1 million cards in circulation since its launch in 2015. AC Infra reported a net income of ₱9 million for the first quarter of the year.

In March, AC Infra, together with SM Investments Corporation, submitted its first unsolicited proposal to the Department of Public Works and Highways to design, finance, construct, operate, and maintain for a 35-year period an 8.6-kilometer elevated toll road linking Sta. Mesa, Manila to

the Mall of Asia Complex in Pasay City via the Central Business District. The proposed C3 Elevated Expressway (C3EX) completes the Circumferential Road 3 and is expected to reduce traffic congestion along Epifanio Delos Santos Avenue and improve access to Manila Bay development areas, the Makati central business district, and the cities of Mandaluyong, San Juan, and Manila.

In May, LRMC broke ground for pre-construction work on the LRT-1 Cavite Extension. The project will connect the existing LRT-1 line to an 11.7-kilometer alignment with eight passenger stations located in Paranaque, Las Pinas, and Cavite.

Social Infrastructure

In healthcare, Generika's revenues grew 10 percent year-on-year to ₱746.9 million driven by higher distribution and retail sales. As of the first quarter, Generika had a footprint of 684 stores nationwide. Meanwhile, AC Health's full-service primary care community clinics, FamilyDOC, served close to 21,000 unique patients as of the first three months of the year. To date, AC Health operates six FamilyDOC clinics in the southern Greater Manila Area. FamilyDOC targets to open 18 new clinics this year, with the expansion to commence in July.

AC Education continues to deliver affordable, quality education in both secondary and tertiary levels. Its Affordable Private Education Center will welcome its first batch of Grade 10 junior high school students and Grade 12 senior high school students for the upcoming school year 2017 to 2018. It has a network of 24 school branches in the Greater Manila Area and surrounding provinces. In tertiary education, University of Nueva Caceres graduated 680 college students in March, its second batch under AC Education.

Balance Sheet

Ayala's balance sheet remains healthy with ample capacity to undertake investments as well as cover its dividend and debt obligations. In April, Ayala redeemed its ₱10 billion, 7.20% fixed rate puttable bonds due 2017. The amount was fully paid at the bond's maturity date. As of the first quarter of the year, parent level cash stood at ₱24.2 billion, with net debt at ₱62 billion. Ayala's net debt-to-equity ratio stood at 0.57x at the parent level and 0.65x at the consolidated level. The conglomerate's loan-to-value ratio, the ratio of its parent net debt to the total value of its assets, was at 10.4 percent at the end of March 2017.

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CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousand Pesos, Except Earnings Per Share Figures)

	March 2017 (Unaudited)	March 2016 (Unaudited)
INCOME		
Sale of goods	37,639,501	30,461,801
Rendering of services	16,453,172	14,816,764
Share of profit of associates and joint ventures	4,454,818	4,153,597
Interest income	1,644,861	1,595,408
Other income	3,034,520	1,770,945
	63,226,872	52,798,515
COSTS AND EXPENSES		
Costs of sales	30,105,434	24,681,579
Costs of rendering services	9,050,961	7,778,955
General and administrative	4,972,620	4,078,135
Interest and other financing charges	3,567,099	3,236,243
Other charges	1,421,763	1,110,634
	49,117,877	40,885,546
INCOME BEFORE INCOME TAX	14,108,995	11,912,969
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	2,735,650	2,054,263
Deferred	(194,330)	103,934
	2,541,320	2,158,197
NET INCOME	11,567,675	9,754,772
Net Income Attributable to:		
Owners of the parent	6,931,265	5,780,048
Non-controlling interests	4,636,410	3,974,724
	11,567,675	9,754,772
EARNINGS PER SHARE		
Basic	10.65	8.81
Diluted	10.50	8.68

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

	March 2017 Unaudited	December 2016 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	64,034,466	60,223,324
Short-term investments	1,399,200	1,008,705
Accounts and notes receivable	129,748,791	116,841,963
Inventories	58,486,185	76,752,875
Other current assets	39,883,321	33,638,483
Total Current Assets	293,551,963	288,465,350
Noncurrent Assets		
Noncurrent accounts and notes receivable	33,944,451	36,484,347
Land and improvements	103,887,914	101,049,171
Investments in associates and joint ventures	192,966,572	180,313,743
Investment properties	115,169,596	110,916,644
Property, plant and equipment	67,855,929	64,074,471
Service concession assets	83,455,775	82,422,249
Intangible assets	11,634,520	9,716,403
Deferred tax assets - net	11,979,625	12,414,647
Pension and other noncurrent assets	27,327,005	25,847,478
Total Noncurrent Assets	648,221,387	623,239,153
Total Assets	941,773,350	911,704,503
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	30,565,517	30,858,137
Accounts payable and accrued expenses	170,229,539	164,600,578
Income tax payable	3,595,154	2,270,315
Other current liabilities	12,587,862	17,522,984
Current portion of:		
Long-term debt	19,599,723	19,792,669
Service concession obligation	737,005	754,519
Total Current Liabilities	237,314,800	235,799,202
Noncurrent Liabilities		
Long-term debt - net of current portion	263,322,894	245,203,145
Service concession obligation - net of current portion	6,747,221	6,822,862
Deferred tax liabilities - net	8,639,021	9,543,754
Pension liabilities	2,171,845	2,469,140
Other noncurrent liabilities	42,539,535	40,870,522
Total Noncurrent Liabilities	323,420,516	304,909,423
Total Liabilities	560,735,316	540,708,625
Equity		
Equity attributable to owners of the parent		
Paid-in capital	74,578,681	74,379,760
Share-based payments	299,155	495,759
Remeasurement losses on defined benefit plans	(1,472,388)	(1,548,192)
Net unrealized loss on available-for-sale financial assets	(585,256)	(466,676)
Cumulative translation adjustments	1,942,581	1,414,550
Equity reserve	12,157,141	12,211,275
Equity conversion option	1,113,745	1,113,745
Retained earnings	152,553,575	145,622,311
Treasury stock	(2,300,000)	(2,300,000)
	238,287,234	230,922,532
Non-controlling interests	142,750,800	140,073,346
Total Equity	381,038,034	370,995,878
Total Liabilities and Equity	941,773,350	911,704,503